REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED
31 MARCH 2008

GOVERNMENT OF ARUNACHAL PRADESH

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PREFACE

This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. Chapters I and II of this report respectively contain audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2008.

3. The remaining chapters deal with the findings of performance audit and audit of transactions in various departments including the Public Works, Forest, Health and Family Welfare and Civil Supplies Department, Revenue Receipts, audit of Autonomous Bodies and Departmentally Run Commercial Undertakings

4. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2007-08 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2007-2008 have also been included wherever necessary.

5. The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains 44 Audit Paragraphs (including five general paragraphs), two Performance Reviews and one Chapter on Internal Control/Internal Audit apart from comments on the Finance and Appropriation Accounts. In accordance to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the concerned Secretary to the State Government by the Accountant General with a request to furnish replies within six weeks. The Secretaries were also reminded for replies. Besides, the Chief Secretary to the State Government was also requested to arrange for discussion of the issues raised in the draft audit paragraphs, draft performance reviews, etc., for inclusion of the views/comments of the Government in the Audit Report. Despite such efforts, no response was received in respect of almost all the paragraphs.

Finances of the State Government

The key fiscal parameters - revenue and fiscal deficits - revealed a mixed trend in the fiscal situation of the State during the current year, as revenue surplus increased by 7 *per cent* (Rs 48 crore) while the fiscal surplus turned into deficit and the primary surplus deteriorated by 50.7 *per cent* (Rs 149 crore) in 2007-08 relative to the previous year. An improvement in the revenue surplus may, however, be viewed in the light of the fact that around 75 *per cent* of the State's revenue receipts (Rs 3003 crore) were contributed by Central transfers comprising of State's share in Union pool of taxes and duties (Rs. 438 crore) and grants-in-aid from Government of India (Rs. 1810 crore) in 2007-08 over the previous year. Moreover, within the State's own resources, a sharp increase in non tax revenue (Rs. 360 crore) in 2007-08 over the previous year was primarily due to the fact that an increase of Rs. 339 crore was recorded as receipts from the power sector in the State, which was due to enhanced upfront receipts from private power developers. Besides the fact that deterioration in fiscal deficit was mainly due to increase in capital expenditure by 28 *per cent* (Rs. 167 crore) and relative to GSDP it was well within the norm of three *per cent* stipulated in FRBM Act-2006. The expenditure pattern of the State reveals that the revenue expenditure continued to share dominant proportion in total expenditure of the State which was around 75 *per cent* during 2007-08 and within the revenue expenditure, NPRE at Rs. 1216 crore in 2007-08 was significantly higher than the normative assessment of Rs. 881 crore made by TFC for the year. Further, three components-salary expenditure, pension liabilities and interest payments constitute about 66 *per cent* of the NPRE during 2007-08. These trends in expenditure indicate the need for change in allocative priorities.

The fiscal liabilities of the State have consistently increased and stood at as high as 70.6 *per cent* of GSDP in 2007-08 and are quite high especially when compared with the TFC norm of 31 *per cent*, to be achieved by the terminal year of its award period. The increasing fiscal liabilities accompanied by negligible rate of return (less than one *per cent*,) on Government's investment and inadequate interest cost recovery continued to be a cause of concern and might lead to an unsustainable debt position in medium to long run unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilize the additional resources especially by exploiting the untapped taxable sources in ensuing years as the tax revenue of the State in the current year (Rs.98 crore) is far below the normative assessment of TFC (Rs. 138 crore) for the year.

(Paragraph 1.1 to 1.12)

Allocative Priorities and Appropriation

During 2007-08 expenditure of Rs.3093.83 crore was incurred against total grants and appropriation of Rs.4368.72 crore. The net savings of Rs.1247.89 crore was the result of savings of Rs.1306.66 crore partly offset by excess of Rs.13.77 crore.

(Paragraph 2.2)

Supplementary provision made during the year constituted 64 *per cent* of the original provision. Supplementary provision of Rs.91.54 crore made in 5 cases proved unnecessary in view of aggregate final savings of Rs.106.45 crore.

(Paragraph 2.3.3 and 2.3.4)

Excess expenditure over provision amounting to Rs.990.57 crore for the years 1986-87 to 2006-07 and Rs.31.77 crore for the current year is required to be regularized according to Article 205 of the Constitution of India.

(Paragraph 2.3.2 (i) and 2.3.2 (ii))

Performance Reviews

HEALTH DEPARTMENT

3.1 National Rural Health Mission (NRHM)

National Rural Health Mission (NRHM) was launched in April 2005 throughout the country with special focus on 18 States including Arunachal Pradesh to provide healthcare to all in an equitable manner through increased outlays, horizontal integration of existing healthcare schemes with special emphasis on primary healthcare to 9.74 lakh rural people in the State. There are some noteworthy achievements of the Mission and the State Government in implementation of NRHM. Arunachal Pradesh has been declared as the first State in the country to eradicate the polio menace. Moreover, there is no incidence of death due to vector borne diseases like kala azar, filaria, Japanese encephalitis and dengue in the State. However, there were deficiencies in planning, implementation and monitoring of the scheme; shortage of medical staff, inadequate infrastructure facilities and lack of public awareness about the facilities provided under the scheme nullified some of the interventions of the scheme.

(Paragraph 3.1)

PLANNING DEPARTMENT

3.2 Non-Lapsable Central Pool of Resources (NLCPR)

The Non-Lapsable Central Pool of Resources (NLCPR) was established in 1998 by the Government of India for speedy development of the infrastructure projects in the North Eastern region. The NLCPR funded projects in the State facilitated better connectivity and helped in containment of land erosion. These have also helped in providing clean and potable drinking water to the targeted villages and creating new infrastructure for spreading education in the State. The projects have also helped in strengthening the healthcare and power transmission/distribution facilities. However, there were delays in completion of the projects due to poor planning, non-release of funds to the implementing agencies and inadequate monitoring. Consequently, only 38 out of the targeted 55 projects were completed as of March 2008.

(Paragraph 3.2)

Audit of Transactions

Fraud / Misappropriation / Embezzlement

PUBLIC WORKS DEPARTMENT

Act of omission and commission of the Executive Engineer, Public Works Division, Roing resulted in short delivery of bitumen valued at Rs. 48.15 lakh.

(Paragraph 4.1)

Excess Payment /Wasteful expenditure

ENVIRONMENT AND FOREST DEPARTMENT

Due to failure of the Division to carry out tending operation of plantation area, an expenditure of Rs.24.63 lakh was rendered wasteful.

(Paragraph 4.3)

POWER DEPARTMENT

The department procured ACSR conductors, which were not immediately required, at higher price without waiting for the finalisation of tendering procedure which was underway. As a result, the Department incurred an extra expenditure of Rs.17.77 lakh on the procurement of conductors, when compared with the contracted rate.

(Paragraph 4.5)

Idle / Unfruitful / Unproductive expenditure

PUBLIC WORKS DEPARTMENT

Due to non-construction of approach road for one bridge and non-completion of another bridge, the Kamchi-Kamdu road could not be put to use resulting in idle investment of Rs.39.48 lakh.

(Paragraph 4.8)

TOURISM DEPARTMENT

There was an infructuous expenditure of Rs. 28.85 lakh due to execution of work at wrong site.

(Paragraph 4.9)

Regularity Issues and Others

PUBLIC WORKS DEPARTMENT

The Department incurred an unauthorised/irregular expenditure of Rs.1.59 crore by diverting the revenue realised as hire charges for use of machinery and equipment.

(Paragraph 4.10)

Internal Control System

TEXTILE AND HANDICRAFTS DEPARTMENT

Review of the internal control system in the Textile and Handicrafts (T&H) Department of Government of Arunachal Pradesh during 2003-08 revealed deficient budgetary, financial, operational and administrative controls. Absence of proper internal control in the Department led to idle or under utilisation of infrastructure and non-maintenance of important records.

(Paragraph 5.1)

Revenue Receipts

ENVIRONMENT AND FOREST DEPARTMENT

Penalty of Rs.2.38 crore was not realized from 323 offenders for unauthorized occupation of 3,559.17 hectares of land in reserve forests

(Paragraph 6.2)

Non-approval of the working plan for operation of cane led to non-realisation of revenue of Rs.1.08 crore.

(Paragraph 6.3)

Inaction of the Environment and Forest Department to take timely action to cancel the lease and re-settle it led to loss of revenue of Rs.31.92 lakh.

(Paragraph 6.4.1)

Inaction of the department against orders of the Government led to non-realisation of revenue of Rs.20.65 lakh.

(Paragraph 6. 5)

GEOLOGY AND MINING DEPARTMENT

Failure of the department to initiate action against two lessees for delayed payment of royalty led to non-realisation of additional royalty of Rs.37.42 crore.

(Paragraph 6.11)

STATE LOTTERY DEPARTMENT

Unclaimed prize money of Rs.49.91 crore remained out of Government accounts due to non-inclusion of penal/deterrent clause in the agreement.

(Paragraph 6.14)

TAXATION DEPARTMENT

Non-registration of forest divisions resulted in non-realisation of revenue of Rs.33.09 lakh on sale of timber.

(Paragraph 6.16)

Failure to register 15 dealers and non-deduction of tax at source led to evasion of tax of Rs.1.77 crore for which maximum penalty of Rs.33.97 lakh was also leviable.

(Paragraph 6.17)

Non-inclusion of excise duty in sale price of IMFL led to underassessment of tax of Rs.21.80 lakh.

(Paragraph 6.18)

Government Commercial and Trading Activities

As on 31 March 2008, the total investment in three working Government companies was Rs.18.11 crore (equity: Rs.9.07 crore and long term loan: Rs.9.04 crore). The accounts of all the three working companies were in arrears for periods ranging from one to 14 years as on 30 September 2008. Out of the three loss incurring working Government companies, Arunachal Pradesh Industrial Development Financial Corporation Limited had accumulated loss of Rs.19.02 crore which has eroded its paid up capital of Rs.2.15 crore.

(Paragraph 7.1.1 to 7.1.6)

POWER DEPARTMENT

The objective of electrification of all villages by March 2007 failed in the planning and sanction stage itself as the Department did not formulate any plan to cover all unelectrified villages and also did not make any efforts to get funds for the same. The Department incurred Rs. 5.04 crore without achieving the target of electrification of 24 villages under Pradhan Mantri Gramodaya Yojana. Due to deficient selection of 27 villages, without considering the availability of source of power supply, the expenditure of Rs.4.94 crore on electrification remained unfruitful.

(Paragraph 7.2)

Injudicious procurement of materials resulted in avoidable expenditure of Rs.72 lakh and blocking up of funds of Rs.61 lakh since 1997-98.

(Paragraph 7.3)

Expenditure of Rs.82.53 lakh incurred on wages during 2004-05 to 2006-07 remained unsubstantiated.

(Paragraph 7.4)

Incorrect classification of tariff in respect of commercial consumers resulted in loss of revenue of Rs.13.12 lakh during April 2005 to March 2008.

(Paragraph 7.5)

SUPPLY AND TRANSPORT DEPARTMENT

Non-adherence to the terms of the agreement in transportation of essential ration commodities resulted in extra expenditure of Rs.12.91 crore during 2003-04.

(Paragraph 7.6)

There was misappropriation of sale proceeds of Rs.17.19 lakh and of stores items of Rs.7.36 lakh due to lack of internal control during April 2001 to May 2005.

(Paragraph 7.7)

CHAPTER –I

FINANCES OF THE STATE GOVERNMENT

CHAPTER – I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (**Appendix 1.1-Part A**). The Finance Accounts of the Government of Arunachal Pradesh are laid out in nineteen Statements, presenting the receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account. The lay out of the Finance Accounts is depicted in **Appendix 1.1-Part B**.

1.1.1 Summary of Receipts and Disbursements

Table 1.1 summarizes the financial position of the State Government for the year 2007-08 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from Statement 1 of Finance Accounts and other detailed Statements.

Table 1.1: Summary of Receipts and Disbursements for the year 2007-08

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
Section – A: Revenue							
					Non-Plan	Plan	Total
2592.17	**I. Revenue Receipts**	**3003.01**	**1897.23**	**I. Revenue Expenditure**	**1215.88**	**1043.67**	**2259.55**
78.24	Own Tax revenue	98.09	559.60	General Services	598.13	21.93	620.06
297.17	Non-tax revenue	656.92	633.59	Social Services	216.35	490.23	706.58
347.14	Share of Union Taxes/Duties	437.87	704.04	Economic Services	401.40	531.51	932.91
1869.62	Grants-in-aid from Government of India	1810.13	-	Grants-in aid / contribution	-	-	-
Section – B: Capital							
-	**II. Miscellaneous Capital receipts**	-	**585.60**	**II. Capital Outlay**	**201.13**	**552.08**	**753.21**
2.33	**III. Recovery of Loans and Advances**	**2.94**	**4.78**	**III. Loans and Advances disbursed**	**2.79**	**0.18**	**2.97**
110.37	**IV. Public Debt Receipts**[1]	**291.06**	**92.44**	**IV. Repayment of Public Debt**	-	-	**77.13**
-	**V. Contingency Fund**	-	-	**V. Contingency Fund**	-	-	...
1484.20	**VI. Public Account Receipts**	**2423.76**	**1556.07**	**VI. Public Account Disbursements**	-	-	**2169.85**

1. Ways and means advances and overdraft were not taken during 2007-08.

14.39	**Opening Cash Balance**	67.34	67.34	**Closing Cash Balance**	-	-	525.40
4203.46	**Total**	**5788.11**	**4203.46**	**Total**			**5788.11**

Following are the significant changes during 2007-08 over the previous year:

- Revenue receipts grew by around 16 *per cent* (Rs. 411 crore) over the previous year. The increase was contributed by the State's own resources (Rs. 380 crore) especially increase in non-tax revenue (Rs. 360 crore) and State's share in Union taxes and duties (Rs. 91 crore). This increase was partly counterbalanced by decrease in grants-in-aid from the GOI (Rs. 60 crore).
- Revenue expenditure and capital expenditure increased by Rs. 363 crore (over 19 *per cent*) and Rs. 167 crore (over 28 *per cent*) respectively over the previous year.
- Recovery of loans and advances increased by Rs. 0.61 crore, where as disbursement of loan and advances decreased by Rs. 1.81 crore compared to the previous year.
- While Public Debt receipts increased by Rs. 180.69 crore, repayment of Public Debt decreased by Rs. 15.31 crore over the previous year.
- Public Account receipts and disbursements increased by Rs. 180.69 crore and Rs. 613.78 crore respectively over the previous year.
- Cash balance of the State as a result of the aforesaid inflows/outflows increased by Rs. 458.06 crore over the previous year

1.1.2 Fiscal Position by Key Indicators

The fiscal position of the State Government as reflected by the key fiscal indicators during the current year as compared to the previous year is given in **Table 1.2.**

Table 1.2

(Rupees in crore)

2006-07	Sl.No.	Major Aggregates	2007-08
2592	**1.**	**Revenue Receipts (2+3+4)**	**3003**
78	2.	Tax Revenue	98
297	3.	Non-Tax Revenue	657
2217	4.	Other Receipts	2248
2	**5.**	**Non-Debt Capital Receipts**	**3**
2	6.	Of which Recovery of Loans	3
2594	**7.**	**Total Receipts (1+5)**	**3006**
1089	**8.**	**Non-Plan Expenditure (9+11+12)**	**1420**
1086	9.	On Revenue Account	1216
188	10.	Of which, Interest payments	155
..	11.	On Capital Account	201
3	12.	On Loans disbursed	3

1399	13.	**Plan Expenditure (14+15+16)**	1596
811	14.	On Revenue Account	1044
586	15.	On Capital Account	552
2	16.	On Loans disbursed	..
2488	17.	**Total Expenditure (8+13)**	3016
(+) 695	18.	**Revenue Surplus (+)/Deficit(-) {1-(9+14)}**	(+) 743
(+) 106	19.	**Fiscal Deficit (-) (1+5-17)**	(-) 10
(+) 294	20.	**Primary Deficit (-)/Surplus (+) {(1+5)-(17-10)}**	(+) 145

During the current year, while revenue expenditure increased by 19 *per cent* (Rs. 363 crore), revenue receipts increased by 16 *per cent* (Rs. 411 crore) over the previous year, resulting in increase in surplus by Rs. 48 crore in revenue account. The increment in revenue surplus (Rs. 48 crore) and non-debt capital receipts (Rs. 1 crore) accompanied by an increase of Rs 167 crore in capital expenditure and a decrease of Rs. 2 crore in disbursement of loans and advances turned the fiscal surplus of Rs 106 crore in 2006-07 into fiscal deficit of Rs. 10 crore during the current year. Despite a decline of Rs 33 crore in interest payments, primary surplus decreased to Rs. 145 crore in 2007-08 from Rs. 294 crore in previous year due to deterioration in fiscal deficit position of the State during current year.

1.2 Methodology adopted for assessment of Fiscal Position

The trends in the major fiscal aggregates of receipts and expenditure emerging from the Statements of Finance Accounts were analysed wherever necessary over the period 2002-03 to 2007-08 and observations have been made on their behaviour. In its Restructuring Plan of the State finances, the Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, the TFC also recommended that all States enact the Fiscal Responsibility (FR) Act and draw their fiscal correction path accordingly for the five year period (2005-06 to 2009-10) so that the fiscal position of the State could be improved as committed in their respective FR Acts/Rules during medium to long run. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Government in its FR Act and in other statements required to be laid in the Legislature under the Act were used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP)[2] is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current prices. The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure, *etc.* with reference to the base represented by GSDP have also

[2] GSDP is defined as the total income of the State or the market value of goods and services using labour and all other factors of production.

been worked out to assess as to whether the mobilization of resources, pattern of expenditure, *etc.* are keeping pace with the change in the base or these fiscal aggregates have also been affected by factors other than the GSDP. GSDP series are being changed by the Directorate of Economics and Statistics, Government of Arunachal Pradesh every year, which resulted in the change from the ratios depicted in the previous Audit Reports. The trends in growth and composition of GSDP for the last six years are presented in **Table 1.3.**

Table 1.3: Trends in Growth of GSDP

Estimates	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
GSDP (Rupees in crore)	2,071.20	2,367.72	2,853.49	2,918.23	3,423.89	3,739.62
GSDP (Rate of Growth in *per cent*)	-1.56	14.32	20.52	2.27	17.33	9.22

Source: Figures furnished by the State Government, Department of Economics and Statistics. (2002 -03 to2005-06 - Revised estimate, 2006-07 – Provisional estimate and 2007-08 - Quick estimates).

The key fiscal aggregates for the purpose have been grouped under four major heads: (i) Trends and Composition of Aggregate Receipts, (ii) Application of Resources, (iii) Assets and Liabilities, and (iv) Management of Deficits (**Appendices 1.2 to 1.6**). The overall financial performance of the State Government as a body corporate has been presented by application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix 1.1 – Part C.**

1.2.1 The Fiscal Responsibility and Budget Management Act

The State Government has enacted the Arunachal Pradesh Fiscal Responsibility and Budget Management (APFRBM) Act, 2006 to (i) ensure fiscal prudence, stability and efficiency, (ii) achieve fiscal consolidation for facilitating the generation of revenue surplus for enhancing the scope for improvement of investment in the social and economic sectors/infrastructure, (iii) ensure fiscal and debt sustainability through progressive reduction of the fiscal deficit and proper debt management system and (iv) provide a more transparent and accountable system of budgeting that will ensure an efficient and effective system of governance. The APFRBM Act, 2006 came into effect on 30th March 2006 and the Fiscal Responsibility and Budget Management (FRBM) Rules, 2007 came in to force with effect from 12th February 2007. The Rule set the following fiscal targets for the State Government;

- Maintain at least the level of revenue surplus in the base year (average of 2001-02 to 2003-04) in the subsequent years, beginning with the financial year 2005-06 and ending with 2008-09 and adhere to it thereafter.
- Reduce every year the fiscal deficit by a minimum of 0.03 *per cent* of the GSDP by the end of each financial year, beginning with the financial year 2005-06 so as to reduce the same to 3 *per cent* or below by 2008-09 and adhere to it thereafter.

1.2.1.1 Roadmap to Achieve the Fiscal Targets as laid down in FRBM Act/Rules

The State Government has also developed its own Fiscal Correction Path (FCP) detailing the structural adjustments required for mobilizing additional resources and identifying areas where expenditure could be compressed, to achieve the targets set out in the APFRBM Act (**Appendix 1.2**).

1.2.1.2 Fiscal Policy Statements

The State Government in its fiscal correction path prescribed the fiscal target relative to GSDP for revenue surplus, total outstanding liabilities and fiscal deficit as 7.36 percent, 67.98 *per cent* and 7.43 *per cent* respectively for the year 2007-08. The State Government had revised these targets in its MTFP for the year 2007-08 as follows:

- Revenue surplus as a percentage of GSDP: 11.61
- Total outstanding liabilities as a percentage of GSDP: 76.25
- Fiscal deficit as a percentage of GSDP: 6.65

1.2.1.3 Mid-Term Review of Fiscal Situation

To enforce compliance with the principles and targets laid down in the FRBM Act, 2006, the State Finance Department is to review every half year the trends in receipts and expenditure including the fiscal indicators target set for the current financial year and place before the State Legislature a statement containing the out come of such review. However, the State Government is yet to enforce the provision of the Act in this regard as no mid-term review has been undertaken during 2007-08.

1.2.1.4 Fiscal Performance

In terms of an incentive scheme of TFC, a reward for fiscal performance was built into the debt-write off package under Debt Consolidation and Relief Facility (DCRF)[3]. According to the scheme, the quantum of write off of repayment of GOI loans after consolidation and re-schedulement will be linked to the absolute amount by which the revenue deficit is reduced in each successive year during the award period. As a result of improved fiscal performance in terms of this criterion, the Arunachal Pradesh Government received a debt waiver of Rs.20.21 crore from the GOI under DCRF during 2007-08.

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[3] In pursuance of the recommendations of the TFC for fiscal consolidation and elimination of revenue deficit of the States, GOI formulated a scheme "**The States' Debt Consolidation and Relief Facility (DCRF) (2005-06 to 2009-10)**" under which general debt relief is provided by consolidating and rescheduling the Central loans granted to States at substantially reduced rates of interest on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficit of States.

The fiscal performance of the State Government in terms of key fiscal variables vis-à-vis the targets laid in FRBM Act, 2006; projections made in its FCP and the budget estimates as projected by the State Government in MTFP for the year 2007-08 is presented in **Table 1.4**:

Table 1.4: Fiscal Performance

(Values in crore of rupees and ratios in per cent)

Key Fiscal Parameters	FRBM/ TFC Targets	FCP	MTFP 2007-08	Actual	Observations on Variation over		
					Column (2)	Column (3)	Column (4)
1	2	3	4	5	6	7	8
Revenue deficit (-) or surplus (+) /GSDP	0.0 (By 31.3.09)	+7.36	+11.61	(+)19.87	FRBM Target Achieved ahead of time limit and projections for RS in FCP/MTFP exceeded		
Fiscal deficit (-) or surplus (+) /GSDP	>3.0 (By 31.3.09)	-7.43	-6.65	(-) 0.27	FRBM Target Achieved and FD was well below the FCP/MTFP projections		
Tax Revenue	138	67	88	98	(-)40	(+)31	(+)10
Non-Tax Revenue	104	195	176	657	(+)553	(+)462	(+)481
Non-Plan Revenue Expenditure	881	1103	N/A	1216	(+)335	(+)113	-
Debt/GSDP Ratio	30.98	56.82	72.98	70.57	(+)39.59	(+)13.75	(-)2.41

The trends in major fiscal parameters/variables vis-à-vis projections made in APFRBM Act and the projections made in its FCP and MTFP for the year 2007-08 presented in the above Table reveals that the State has achieved the targets for revenue and fiscal deficits as laid down in State's APFRBM Rules, 2007 for the year 2007-08. The State has achieved fiscal targets as laid down in the FRBM Act/Rules and TFC much before the timeline indicated in them with the current year ending in revenue surplus of Rs 743 crore and fiscal deficit at only Rs 10 crore being 0.27 *per cent* of GSDP. However, in terms of its own tax revenue, NPRE and debt to GSDP ratio, the achievement of the State was below the normative assessment/norms prescribed by the TFC.

1.3 Trends and Composition of Aggregate Receipts

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from the GOI as well as accruals from Public Account. **Table 1.5** shows that the total receipts of the State Government for the year 2007-08 were Rs. 5,721 crore, i.e. an increase of Rs. 1533 crore (36.60 *per cent*) over the previous year. Of these, revenue receipts were Rs. 3,003 crore only, constituting 52 *per cent* of the total receipts. The balance came mainly from borrowings (5 *per cent*) and public account receipts (43 *per cent*).

Table 1.5 – Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

Sources of State's Receipts	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
I. Revenue Receipts	**1108**	**1576**	**1502**	**1849**	**2592**	**3003**
II. Capital Receipts	**145**	**308**	**218**	**717**	**112**	**294**
(a) Recovery of Loans and Advances	2	2	3	3	2	3
(b) Public Debt Receipts[4]	143	306	215	714	110	291
(c) Miscellaneous Capital Receipts	-	-	-	-	-	-
III. Contingency Fund Receipts	-	-	-	-	-	-
IV. Public Account Receipts	**1514**	**958**	**1209**	**1425**	**1484**	**2424**
(a) Small Savings, Provident Fund, *etc.*	96	141	134	129	133	122
(b) Reserve Funds	3	72	11	17	10	10
(c) Deposits and Advances	157	137	91	147	230	250
(d) Suspense and Miscellaneous	530	(-) 333	47	51	(-)237	443
(e) Remittances	728	941	926	1081	1348	1599
Total Receipts	**2,767**	**2842**	**2929**	**3991**	**4188**	**5721**

It was observed that remittances (Rs. 1599 crore) constitute 66 *per cent* of the total receipts under Public Account (Rs. 2424 crore) in 2007-08. Of the remittances, 98.81 *per cent* have come from Public Works and Forest Departments (Rs. 1580 crore). Netting these receipts against the disbursements, the net receipts under remittances turn out to be only Rs. 0.17 crore during the current year.

1.3.1 Revenue Receipts

Statement 11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, Central tax transfers and grants-in-aid from the GOI. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and its buoyancy are indicated in **Table 1.6**.

Table 1.6 – Revenue Receipts-Basic Parameters

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts (RR) (Rupees in crore)	**1108**	**1576**	**1502**	**1849**	**2592**	**3003**
Own Taxes (*per cent*)	37(3)	44(3)	50(3)	62(3)	78(3)	98(3)
Non-Tax Revenue (*per cent*)	76(7)	121(8)	170(11)	202(11)	297(11)	657(22)
Central Tax Transfers (*per cent*)	122(11)	161(10)	192(13)	272(15)	347(13)	438(15)
Grants-in-aid (*per cent*)	873 (79)	1251 (79)	1090 (73)	1313 (71)	1870 (72)	1810 (60)
Rate of Growth of RR (*per cent*)	**2.12**	**42.23**	**(-)4.70**	**23.10**	**40.18**	**15.86**
Rate of Growth of Own Taxes (*per cent*)	**19.35**	**18.92**	**13.64**	**24**	**25.81**	**25.64**
RR/GSDP (*per cent*)	**53.50**	**66.56**	**52.64**	**63.36**	**75.70**	**80.30**

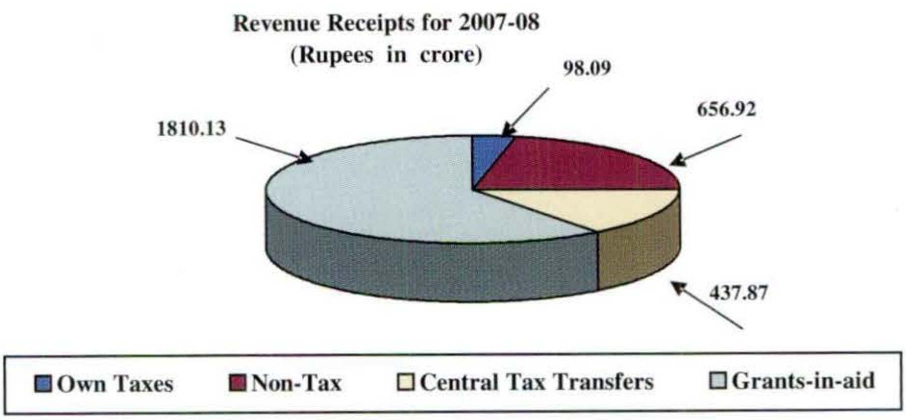
[4] Included net (Nil) Ways and Means Advances also.

Buoyancy Ratio[5]						
Revenue Buoyancy Ratio	-1.36	2.95	-0.23	10.18	2.32	1.72
State's Own Taxes Buoyancy Ratio	-12.37	1.32	0.66	10.58	1.49	2.78
Revenue Buoyancy Ratio with reference to State's Own Taxes	0.11	2.23	(-)0.34	0.96	1.56	0.62
GSDP Growth (*per cent*)	-1.56	14.32	20.52	2.27	17.33	9.22

General Trends

The revenue receipts of the State increased by Rs. 1,895 crore from Rs. 1,108 crore in 2002-03 to Rs. 3,003 crore in 2007-08. There were, however, wide inter-year variations in the growth rates, which declined to 15.86 *per cent* in 2007-08 from 40.18 *per cent* during the preceding year. Although all the components of revenue receipts have exhibited increases in absolute terms over the period 2002-08, the share of State's own taxes remained static at 3 *per cent* while that of non tax revenue steadily increased from 7 *per cent* in 2002-03 to 12 *per cent* in 2006-07 and further steeply to 22 *per cent* in the current year. Within the central transfers, the share of grants-in-aid has gradually reduced from 79 *per cent* to 60 *per cent* as against an increase in the share of central tax transfers from 10 *per cent* to 15 *per cent* during the period.

Chart 1.1



Tax Revenue

Tax revenue has increased by 25.37 *per cent* during the current year (Rs.98.09 crore) over the previous year (Rs.78.24 crore). The revenue from sales tax contributed the major share of tax revenue (79 *per cent*) and it increased by about 25 *per cent* over the previous year. State excise and taxes on vehicles were the other major contributors in the State's tax revenue. **Table 1.7** below shows the trend of tax revenue during 2002-08:

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[5] Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 1.72 during 2007-08 implies that revenue receipts tend to increase by 1.72 percentage points if the GSDP increases by one *per cent*.

Table 1.7: Tax Revenue

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Land Revenue	0.81	3.57	0.76	1.11	2.10	2.12
Stamps and Registration Fees	2.10	0.31	0.46	0.41	0.55	0.86
State Excise	14.26	15.42	17.79	9.51	10.98	11.61
Taxes on Sales, Trade, *etc.*	17.62	21.79	28.25	47.69	61.64	77.06
Taxes on Vehicles	1.75	2.02	2.21	2.99	2.93	6.42
Other Taxes[6]	0.72	0.62	0.64	0.38	0.04	0.02
Total	**37.26**	**43.73**	**50.11**	**62.09**	**78.24**	**98.09**

Non-Tax Revenue

Table 1.8 below shows the trend of non-tax revenue during 2002-08:

Table 1.8: Non-Tax Revenue

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Interest receipts, dividends and profits	6	9	5	7	13	29
General Services	11	21	14	41	75	53
Social Services	4	5	4	4	9	7
Economic Services	55	86	147	150	200	568
Total	**76**	**121**	**170**	**202**	**297**	**657**

The non-tax revenue, which constituted 22 *per cent* of the total revenue receipts during 2007-08, has increased by Rs. 360 crore recording a growth rate of 121 *per cent* over the previous year. Eighty six *per cent* of non-tax revenue during 2007-08 was received from economic services and within this category, receipts under Power alone contributed 81 *per cent* (Rs. 458 crore). During 2007-08, receipts from power sector increased by Rs 339 crore relative to the previous year for which reasons are awaited from the State Government (December 2008). It was, however, observed from the budget documents that such a steep increase in receipts seems to be on account of upfront receipts from private power developers. The trends in interest receipts and dividends and profits reveal significant improvement during 2007-08 compared to 2002-03 mainly because of increase in realization of interest on investment of cash balances. The non-tax revenue of the Government during 2006-08 is also inclusive of Rs. 20.21 crore received as an incentive in the form of debt waiver from the GOI under DCRF (the contra credit entry which was made under the head 'Miscellaneous General Services').

The mobilization of State's own resources *vis-à-vis* assessments made by the TFC and State Government are given in Table 1.9:

[6] Other Taxes include duties on commodities and services.

Table 1.9

(Rupees in crore)

	Assessment made by TFC	Assessment made by State Government in		Actuals
		FCP	Budget 2007-08	
Tax Revenue	138	67	79	98
Non-Tax Revenue	104	195	176	657

Tax revenue was 29 *per cent* lower as compared to the assessment made by the TFC, but it was higher by 46 *per cent* compared to the assessment made by the State Government in the FCP. The non-tax revenue exceeded by a big margin both the normative assessment of the TFC and the State's projections indicated in FCP and MTFP for 2007-08 mainly on account of huge receipts shown under Power sector.

Central Tax Transfers

The Central tax transfers increased by Rs. 91 crore over the previous year and constituted 15 *per cent* of revenue receipts. The increase was mainly under corporation tax (Rs. 31 crore), taxes on income other than corporation tax (Rs. 27 crore), customs (Rs. 15 crore), Union excise duties (Rs.7 crore) and service tax (Rs 10 crore).

Grants-in-Aid

Grants-in-aid from the GOI have decreased by 3.21 *per cent* from Rs. 1,870 crore in 2006-07 to Rs. 1,810 crore in the current year. Within the plan grants, major decline was observed under the Centrally Sponsored Schemes (Rs. 258 crore: 81 *per cent*) but the same increased in State Plan Schemes by 21 *per cent* (Rs. 220 crore) over the previous year in the form of increase in Block Grants (Rs. 234 crore). The grants under the Centrally Sponsored Schemes decreased mainly under Accelerated Rural Water Supply Programme (Rs. 193.82 crore) in Rural Development Sector. Details of Grants-in-aid from the GOI are given in **Table 1.10**

Table 1.10: Grants-in-Aid from the GOI

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Grants for State Plan Schemes	519	822	614	726	1049	1269
Non-Plan Grants	243	300	300	389	388	380
Grants for Central Plan Schemes	6	3	13	44	68	61
Grants for Centrally Sponsored Schemes	72	93	129	105	320	62
Grants for Special Plan Schemes	33	33	34	49	45	38
Total	**873**	**1251**	**1090**	**1313**	**1870**	**1810**
Percentage of increase (+)/ decrease (-) over previous year	(-)2.24	(+)43.30	(-)12.87	(+) 20.46	(+) 42.42	(-)3.21

1.3.2 *Revenue Arrears*

The arrears of tax revenue at the end of March 2008 in respect of some principal heads of revenue were Rs. 71.16 crore of which, Rs. 7.65 crore (10.68 *per cent*) were more than five years old. An analysis of revenue arrears revealed that out of the total outstanding revenue, Rs 43.94 crore (61.75 *per cent*) relates to tax revenue and Rs 27.22 crore (38.25 *per cent*) relates to non-tax revenue. Sixty two *per cent* of pending arrears pertain to Land Revenue followed by Geology and Mining (30.65 *per cent*). The pending revenue arrears constituted about 9.43 *per cent* of State's own revenue during 2007-08. Appropriate steps need to be initiated by the State Government for their recovery, which would in turn provide a cushion to reduce the burden of fiscal liabilities of the State.

1.4 Application of Resources

1.4.1 *Growth of Expenditure*

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. Total expenditure, its annual growth rate and ratio of expenditure to the GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.11**.

Table 1.11: Total Expenditure – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Expenditure (TE)[7] (Rupees in crore)	1324	1829	1891	2109	2488	3016
Rate of Growth (*per cent*)	(-)0.90	38.14	3.39	11.53	17.97	21.22
TE/GSDP Ratio (*per cent*)	63.92	77.25	66.27	72.27	72.67	80.65
Revenue Receipts/TE Ratio (*per cent*)	83.69	86.17	79.43	87.67	104.18	99.57
Buoyancy Ratio of Total Expenditure with reference to:						
GSDP	0.58	2.66	0.17	5.08	1.04	2.30
Revenue Receipts	(-)0.42	0.90	(-)0.72	0.50	0.45	1.34

The total expenditure during the current year has increased by Rs. 528 crore (21.22 *per cent*) over the previous year. Of the increase in total expenditure, revenue expenditure formed 69 *per cent* (Rs. 363 crore), capital expenditure component was 32 *per cent* (Rs. 67 crore) partly offset by decline in disbursement of loans and advances (Rs. 2 crore: 1 *per cent*). While the share of plan expenditure constituted 53 *per cent* (Rs. 1,596 crore) of the total

7 Total expenditure includes revenue expenditure, capital expenditure and loans & advances.

expenditure, the remaining 47 *per cent* was non-plan expenditure (Rs. 1,420 crore).

During the current year, 99.57 *per cent* (Rs. 3,003 crore) of total expenditure was met from revenue receipts and the remaining Rs. 13 crore (0.43 *per cent*) from non-debt capital receipts (Rs. 3 crore) and borrowed funds (Rs. 10 crore). The buoyancy of total expenditure to GSDP stood at 2.30 in 2007-08 indicating a tendency to spend more than the increase in income and higher elasticity of total expenditure with respect to GSDP.

1.4.2 Trends in Total Expenditure by Activities

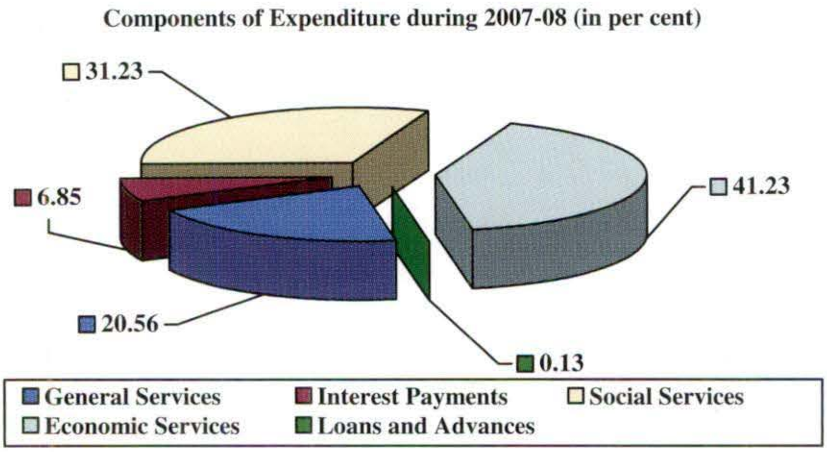
In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in **Table 1.12**.

Table 1.12: Components of Expenditure-Relative Share

(In per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
General Services	28.90	26.77	26.63	23.94	23.38	20.56
Of which Interest Payments	*9.47*	*8.44*	*7.77*	*7.42*	*7.55*	*6.85*
Social Services	27.67	27.86	28.80	31.35	31.09	31.23
Economic Services	43.21	45.12	44.25	44.54	45.34	41.23
Loans and Advances	0.22	0.25	0.32	0.17	0.19	0.13

Chart 1.2



The movement of the relative share of these components of expenditure indicated relative stability over the period 2002-08 with minor inter year variations. Of the total expenditure during 2007-08, expenditure on general services and interest payments, which is considered as non-developmental, together accounted for 20.56 *per cent.* On the other hand, expenditure on social and economic services together accounted for 72.46 *per cent* during 2007-08. The relative share of social services exhibited relative stability during the period 2002-08. The relative share of economic services which ranged between 43.21 *per cent* and 45.34 *per cent* during the last five year period 2002-07 has decreased to 41.23 *per cent* in 2007-08. The loans and advances revealed wide fluctuations during the period 2002-07 and stood at 0.13 *per cent* during 2007-08 compared to the previous year.

1.4.3 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table 1.13**.

Table 1.13: Revenue Expenditure – Basic Parameters

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure (RE)	1031	1392	1510	1668	1897	2260
Of which						
Non-Plan Revenue Expenditure (NPRE)	609 (59.07)	841 (60.42)	931 (61.66)	944 (56.59)	1086 (57.25)	1216 (53.81)
Plan Revenue Expenditure (PRE)	422 (40.93)	551 (39.58)	579 (38.34)	724 (43.41)	811 (42.75)	1044 (46.19)
Rate of Growth of						
RE (*per cent*)	0.10	35.01	8.48	10.46	13.73	19.14
NPRE (*per cent*)	5.91	38.10	10.70	1.40	15.04	11.97
PRE (*per cent*)	(-)7.05	30.57	5.08	25.04	12.02	28.73
Ratios (*per cent*)						
RE/TE (*per cent*)	77.87	76.11	79.85	79.09	76.25	74.93
NPRE/GSDP (*per cent*)	31.02	37.18	37.88	35.41	37.56	38.79
NPRE as *per cent* of TE	46.00	45.98	49.23	44.76	43.65	40.32
NPRE as *per cent* of RR	54.96	53.36	61.98	51.05	41.90	40.49
Buoyancy Ratio of Revenue Expenditure with						
GSDP	-0.06	2.45	0.41	4.61	0.79	2.08
Revenue Receipts	0.05	0.83	(-)1.80	0.45	0.34	1.21

(Figures in brackets represent percentages to revenue expenditure)

The revenue expenditure increased by 119 *per cent* from Rs. 1,031 crore in 2002-03 to Rs. 2,260 crore in 2007-08. The non-plan revenue expenditure during the same period increased from Rs. 609 crore to Rs. 1,216 crore, showing an increase of 99.67 *per cent* indicating that the share of NPRE in total revenue expenditure declined from 59 *per cent* in 2002-03 to 54 *per cent* in 2007-08. As a result, plan revenue expenditure, which normally covers the maintenance expenditure incurred on services, has increased by Rs. 622 crore during 2002-08 keeping its share in total revenue expenditure between 38 and 46 *per cent* during the period. The growth of PRE during 2007-08 significantly improved to 28.73 *per cent* against 12.02 *per cent* during the previous year mainly due to increase in expenditure on education, sports, art and culture by Rs. 46.10 crore followed by Transport (Rs.43.09 crore), Water Supply, Sanitation, Housing and Urban Development (Rs. 36.94 crore), Special Areas Programmes (Rs. 23.68 crore) and Agriculture and Allied Activities (Rs. 13.80 crore). The NPRE in 2007-08 at Rs. 1216 crore was 38.02 *per cent* (Rs. 335 crore) higher than the normatively assessed level of Rs. 881 crore by the TFC and 10.24 *per cent* (Rs. 113 crore) higher than the assessment made by the State Government in its FCP for the year (**Table 1.14**).

Table 1.14: Non-Plan Revenue Expenditure: Actuals *vis-à-vis* Normative Assessment by TFC

(Rupees in crore)

Particulars	Assessed by the TFC	Revised Estimates - 2007-08	Actual	Difference with reference to {Excess (+) / Less (-)}	
				Column (2)	Column (3)
Interest Payments	189	187	155	(-)34	(-)32
Pension	88	80	109	(+)21	(+)29
Other General Services	185	347	356	(+)171	(+)9
Social Services	198	248	707	(+)509	(+)459
Economic Services	176	604	933	(+)757	(+)329
Committed Liabilities	45	-	267	(+)222	-
Total	**881**		**2527**		

Except for interest payments, the actual expenditure incurred on all other components of non-plan revenue expenditure was more than the assessments made by the TFC. The expenditure also exceeded the assessments made in the Budget 2007-08 on all the components except for interest payments.

1.4.4 Committed Expenditure

Expenditure on Salaries and Wages

The trends in expenditure on salaries and wages both under plan and non-plan heads are presented in **Table 1.15.**

Table 1.15: Expenditure on Salaries and Wages

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Salaries and Wage[8]	446	505	550	575	670	757
Of which						
Non-Plan Head	*327*	*370*	*398*	*421*	*485*	*535*
*Plan Head**	*119*	*135*	*152*	*154*	*185*	*222*
As percentage of GSDP	21.53	21.33	19.27	19.70	19.57	20.24
As percentage of Revenue Receipts	40.25	32.04	36.62	31.10	25.85	25.21

Source: The figures of salary and wages from 2002-03 and 2004-05 are furnished by the State Government and figures for 2005-06 to 2007-08 are furnished by the AG (A&E) Shillong

** Plan Head includes salaries and wages paid under Centrally Sponsored Schemes.*

The expenditure on salaries and wages increased by 13 *per cent* during 2007-08 over the previous year and accounted for 25.21 *per cent* of the revenue receipts. The State did not restrict the expenditure on salaries during 2007-08 as assessed in its FCP (Rs. 688 crore) for the year. Moreover, the total non-plan salary bill (Rs. 535 crore) at 44 *per* cent of non-plan revenue expenditure net of interest payments and pensions was marginally lower than the norms of 35 *per cent* prescribed by the TFC.

1.4.5 Pension Payments

The pension payments (including other retirement benefits) indicated an increasing trend during the six year period 2002-08 (**Table 1.16**).

Table 1.16: Expenditure on Pensions (including other retirement benefits)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Pension and other Retirement Benefits (Rupees in crore)	60	66	70	71	79	109
Rate of Growth	11.10	10.00	6.06	1.43	11.27	37.97
As *per cent* of GSDP	2.90	2.79	2.45	2.43	2.31	2.91
As *per cent* of Revenue Receipts	5.42	4.19	4.66	3.84	3.05	3.63
As *per cent* of RE	5.82	4.74	4.64	4.26	4.16	4.82

Source: Finance Accounts 2007-08

Pension payments during the current year have increased by Rs. 30 crore recording a growth rate of over 38 *per cent* over the previous year mainly on account of increase in the number of pensioners and family pensioners. A comparative analysis of actual pension payments and the assessment/ projections made by the TFC and the State Government (**Table 1.17**) reveals

[8] Represents salaries and wages only but excludes salaries and wages spent from grants-in-aid

that actual pension payments exceeded the projections made by the TFC and the State Government by 19.27 *per cent* and 22.02 *per cent* respectively.

Table 1.17: Pension Payments *vis-à-vis* Projection

(Rupees in crore)

	Assessment made by the TFC	Assessment made by the State Government in FCP and Budget 2007-08	Actual expenditure on Pensions	Expenditure in excess of assessment made in	
				TFC	FCP and Budget
Pension Payments	88	85	109	21 (19.27)	24 (22.02)

(Figures in brackets represent percentages)

1.4.6 Interest Payments

Interest payments and their ratio to revenue receipts and revenue expenditure during 2002-08 are detailed in **Table 1.18**.

Table 1.18: Interest Payments

Year	Revenue Receipts	Total Revenue Expenditure	Interest payment	Percentage of interest with reference to	
	(Rupees in crore)			Revenue Receipts	Revenue Expenditure
2002-03	1108	1031	125	11.28	12.12
2003-04	1576	1392	142	9.01	10.20
2004-05	1502	1510	147	9.79	9.74
2005-06	1849	1668	157	8.49	9.41
2006-07	2592	1897	188	7.25	9.91
2007-08	3003	2260	155	5.16	6.86

Interest payments have consistently increased from Rs. 125 crore in 2002-03 to Rs. 188 crore in 2006-07 but indicated a sharp decline to Rs 155 crore during current year. Interest payments in 2007-08 were on market loans (Rs. 33 crore), Special Securities issued to National Small Savings Fund of the Central Government (Rs. 48 crore), other internal debt (Rs. 26 crore), loans and advances received from Central Government (Rs.1 crore) and Small Savings, Provident Fund, *etc.* (Rs.37 crore). The overall interest payments (Rs.155 crore) was lower than the projections made by the TFC (Rs. 188 crore), FCP (Rs. 190 crore) and budget estimates (Rs. 208 crore) of the year.

1.4.7 Subsidies

The trends in subsidies given by the State Government are given in **Table 1.19**.

Table 1.19: Subsidies

Year	Amount (Rupees in crore)	Percentage increase (+)/ decrease (-) over previous year	Percentage of subsidy in total expenditure
2002-03	22	0	1.66
2003-04	31	(+) 41	1.69
2004-05	19	(-) 39	1.00
2005-06	2	(-) 89	0.09
2006-07	3	(+) 50	0.12
2007-08	2	(-) 33	0.07

Source: Information furnished by the Finance Department for the year prior to 2005-06. For the years 2005-06 to 2007-08 figures of Finance Accounts of the State are adopted.

During the current year, subsidies constituted 0.07 *per cent* of the total expenditure against 0.12 *per cent* in 2006-07 indicating decline in subsidies by the State Government. The decrease in subsidies (Rs. 1 crore) was mainly on account of decrease in payment to Co-operation (Rs. 0.78 crore) and Civil Supplies (Rs.0.06 crore).

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore, ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running the existing social and economic services efficiently and effectively would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP, better is the quality of expenditure. **Table 1.20** gives these ratios during 2002-08.

Table 1.20: Indicators of Quality of Expenditure

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Capital Expenditure	**290**	**433**	**375**	**438**	**586**	**753**
Revenue Expenditure	**1031**	**1392**	**1510**	**1668**	**1897**	**2260**
Of which						
Social and Economic Services with	667	954	1021	1179	1338	1640
(i) *Salary & Wage Component*	278 (41.68)	313 (33.86)	328 (32.13)	350 (29.69)	548 (40.96)	344 (20.98)
(ii) Non-Salary & Wage Component	389 (58.32)	641 (66.14)	693 (67.87)	829 (70.31)	790 (59.04)	1296 (79.02)
As *per cent* of Total Expenditure (excluding loans and advances)						

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Capital Expenditure	21.95	23.73	19.89	20.80	23.60	24.99
Revenue Expenditure	78.05	76.27	80.11	79.20	76.40	75.01
As *per cent* of GSDP						
Capital Expenditure	14.00	18.29	13.14	15.01	17.12	20.14
Revenue Expenditure	49.78	58.79	52.92	57.16	55.40	60.43

Revenue expenditure constituted around 76 to 80 *per cent* of total expenditure during 2002-08 resulting in expenditure on capital account ranging between 24 *per cent* and 20 *per cent*. The ratio of capital expenditure to GSDP has also increased from 14 *per cent* in 2002-03 to 20.14 *per cent* in 2007-08 with inter-year variations. The non-salary component constituted 79 *per cent* of revenue expenditure under social and economic services during 2007-08 and increased by 64 *per cent* over previous year, against (-) 37 *per cent* on salary component. The non-salary component increased by 233 *per cent* from 2002-03 (Rs. 389 crore) to 2007-08 (Rs. 1296 crore) while salary component increased by 23.74 *per cent* and correspondingly the share of non-salary component in revenue expenditure incurred on social and economic services increased from 58.32 to 79.02 *per cent* and that of salary component decreased from 41.68 to 20.98 *per cent* during the period. These trends indicate the focus of the Government towards the improvement in the delivery of these services.

1.5.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities, *etc.* have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table 1.21** summarizes the expenditure incurred by the State Government in expanding and strengthening social services in the State during 2002-08.

Table 1.21: Expenditure on Social Services

(Rupees in crore) (Per cent in brackets)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Education, Sports, Art and Culture	**165.59**	**198.66**	**223.92**	**240.41**	**296.77**	**332.43**
Revenue Expenditure *Of which*	***154.15***	***182.88***	***204.34***	***216.07***	***248.29***	***297.21***
(a) Salary & Wage Component	*120.29 (78.03)*	*134.51 (73.55)*	*137.51 (67.29)*	*148.42 (68.69)*	*163.36 (65.79)*	*196.55 (66.13)*
(b) Non-Salary & Wage Component	*33.86 (21.97)*	*48.37 (26.45)*	*66.83 (32.71)*	*67.65 (31.31)*	*84.93 (34.21)*	*100.66 (33.87)*
Capital Expenditure	***11.44***	***15.78***	***19.58***	***24.34***	***48.48***	***35.22***
Health and Family Welfare	**62.81**	**76.28**	**94.00**	**75.92**	**122.88**	**117.10**
Revenue Expenditure *Of which*	***58.72***	***67.51***	***77.07***	***70.83***	***92.63***	***103.31***

(a) Salary & Wage Component	*47.43 (80.77)*	*52.11 (77.19)*	*56.25 (72.99)*	*60.46 (85.36)*	*68.54 (73.99)*	*76.16 (73.72)*
(b) Non-Salary & Wage Component	*11.29 (19.23)*	*15.40 (22.81)*	*20.82 (27.01)*	*10.37 (14.64)*	*24.09 (26.01)*	*27.15 (26.28)*
Capital Expenditure	***4.09***	***8.77***	***16.93***	***5.09***	***30.25***	***13.79***
Water Supply, Sanitation, Housing and Urban Development	**82.46**	**106.56**	**153.74**	**198.06**	**221.12**	**297.97**
Revenue Expenditure *Of which*	***60.67***	***86.95***	***124.19***	***153.26***	***165.99***	***215.21***
(a) Salary & Wage Component	*8.15 (13.43)*	*8.79 (10.11)*	*9.27 (7.46)*	*10.13 (6.61)*	*18.35 (11.05)*	*20.88 (9.70)*
(b) Non-Salary & Wage Component	*52.52 (86.57)*	*78.16 (89.89)*	*114.92 (92.54)*	*143.13 (93.39)*	*147.64 (88.95)*	*194.33 (90.30)*
Capital Expenditure	***21.79***	***19.61***	***29.55***	***44.80***	***55.13***	***82.76***
Other Social Services	**55.54**	**109.37**	**72.90**	**146.87**	**132.67**	**107.46**
Revenue Expenditure *Of which*	***54.22***	***95.94***	***67.07***	***130.89***	***126.68***	***90.85***
(a) Salary & Wage Component	*1.67 (3.08)*	*2.18 (2.27)*	*2.50 (3.73)*	*1.70 (1.30)*	*120.80 (95.36)*	*31.90 (35.11)*
(b) Non-Salary & Wage Component	*52.77 (97.33)*	*93.76 (97.73)*	*64.57 (96.27)*	*129.19 (98.70)*	*5.88 (4.64)*	*58.95 (64.89)*
Capital Expenditure	***1.32***	***13.43***	***5.83***	***15.98***	***5.99***	***16.61***
Total (Social Services)	**366.40**	**490.87**	**544.56**	**661.26**	**773.44**	**854.96**
Revenue Expenditure *Of which*	***327.76***	***433.28***	***472.67***	***571.05***	***633.59***	***706.58***
(a) Salary & Wage Component	*177.54 (54.17)*	*197.59 (45.60)*	*205.53 (43.48)*	*220.71 (38.65)*	*372.29 (58.76)*	*325.49 (46.06)*
(b) Non-Salary & Wage Component	*150.22 (45.83)*	*235.69 (54.40)*	*267.14 (56.52)*	*350.34 (61.35)*	*261.30 (41.24)*	*381.09 (53.93)*
Capital Expenditure	38.64	57.59	71.89	90.21	139.85	148.38

Expenditure on social sector during the current year accounted for over 28 *per cent* of the total expenditure (Rs. 3013 crore) and 36 *per cent* of development expenditure[9](Rs. 2370 crore). Expenditure on education, sports, art and culture; health and family welfare and water supply and sanitation, housing and urban development constituted over 81 *per cent* of the expenditure on social sector.

The trends in revenue and capital expenditure on social services during 2002-08 reveal that the share of capital expenditure remained within the range of 11 to 18 *per cent* indicating the dominant share of the revenue expenditure. Of the revenue expenditure on social services, the share of salary and wage component has decreased from 54.17 *per cent* in 2002-03 to 38.65 *per cent* in 2005-06 but increased sharply in 2006-07 and reached its peak of 58.76 *per cent* which however declined to 46.06 *per cent* in 2007-08. Therefore, during the period salary component of revenue expenditure increased by 83.6 *per cent* (Rs 148 crore) but its share declined from 54 *per cent* to 46 *per cent* during the

[9] Development expenditure is defined as the total expenditure incurred on social and economic services

period. The non-salary component of revenue expenditure on social services has increased by 154 *per cent* (Rs 231 crore) during the period 2002-08, thereby, increasing its share from 46 *per cent* to 54 *per cent* during the period.

Recognizing the need to improve the quality of education and health services, TFC recommended that the non-plan salary expenditure under education, health and family welfare should increase only by 5 to 6 *per cent*, while non-salary expenditure under non-plan heads should increase by 30 *per cent per annum* during the award period. However, the expenditure on salary and wage component under education sector increased by 20.85 *per cent* and under health and family welfare sector the increase of 10.14 *per cent* far surpassed the recommendations of the TFC. The increase in non-salary (non-plan) expenditure under these two sectors is also not encouraging in as much as 18.82 *per cent* and 12.50 *per cent* increase under education and health and family welfare sectors respectively are below the recommendations of the TFC. Thus, expenditure pattern under both these sectors needs correction in the ensuing years.

1.5.3 Expenditure on Economic Services

The expenditure on economic services includes all such expenditure that promotes directly or indirectly, productive capacity within the States' economy. **Table 1.22** presents the trends in expenditure incurred on economic services during the period from 2002-03 to 2007-08.

Table 1.22: Expenditure on Economic Services

(Rupees in crore) (Per cent in brackets)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture and Allied Activities	**141.01**	**214.80**	**184.39**	**226.99**	**241.67**	**407.78**
Revenue Expenditure *Of which*	***135.83***	***208.40***	***179.55***	***204.44***	***226.04***	***273.05***
(a) *Salary & Wage Component*	*71.83 (52.88)*	*78.86 (37.84)*	*85.77 (47.77)*	*90.31 (44.17)*	*100.89 (44.63)*	*110.64 (40.52)*
(b) *Non-Salary & Wage Component*	*64.00 (47.12)*	*129.54 (62.16)*	*93.78 (52.23)*	*114.13 (55.83)*	*125.15 (55.37)*	*162.41 (59.48)*
Capital Expenditure	***5.18***	***6.40***	***4.84***	***22.55***	***15.63***	***197.73***
Irrigation and Flood Control	**50.41**	**77.22**	**43.29**	**51.12**	**89.06**	**97.79**
Revenue Expenditure *Of which*	***45.49***	***59.57***	***39.43***	***45.25***	***76.73***	***87.96***
(a) *Salary & Wage Component*	*8.00 (17.59)*	*9.77 (16.40)*	*10.23 (25.94)*	*10.84 (23.96)*	*12 81 (16.69)*	*16.66 (18.94)*
(b) *Non-Salary & Wage Component*	*37.49 (82.41)*	*49.80 (83.60)*	*29.20 (74.06)*	*34.41 (76.04)*	*63.92 (83.31)*	*71.30 (81.06)*
Capital Expenditure	***4.92***	***17.65***	***3.86***	***5.87***	***12.33***	***9.83***

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Energy	**126.96**	**195.36**	**254.96**	**227.32**	**248.53**	**263.89**
Revenue Expenditure *Of which*	***14.33***	***25.00***	***105.55***	***103.23***	***120.25***	***136.00***
(a) Salary & Wage Component	*7.96 (55.55)*	*8.78 (35.12)*	*9.14 (8.66)*	*10.34 (10.02)*	*11.78 (9.80)*	*22.28 (16.38)*
(b) Non-Salary & Wage Component	*6.37 (44.45)*	*16.22 (64.88)*	*96.41 (91.34)*	*92.89 (89.98)*	*108.47 (90.20)*	*113.72 (83.62)*
Capital Expenditure	***112.63***	***170.36***	***149.41***	***124.09***	***128.28***	***127.89***
Transport	**117.65**	**188.67**	**144.50**	**165.77**	**267.68**	**317.23**
Revenue Expenditure *Of which*	***43.01***	***81.76***	***58.58***	***70.29***	***81.96***	***138.46***
(a) Salary & Wage Component	*10.93 (25.41)*	*16.47 (20.14)*	*15.62 (26.66)*	*16.61 (23.63)*	*18.19 (22.19)*	*20.74 (14.98)*
(b) Non-Salary & Wage Component	*32.08 (74.59)*	*65.29 (79.86)*	*42.96 (73.34)*	*53.68 (76.37)*	*63.77 (77.81)*	*117.72 (85.02)*
Capital Expenditure	***74.64***	***106.91***	***85.92***	***95.48***	***185.72***	***178.77***
Other Economic Services	**136.35**	**205.05**	**209.46**	**268.00**	**280.83**	**364.93**
Revenue Expenditure *Of which*	***100.39***	***145.69***	***164.84***	***184.66***	***199.06***	***297.44***
(a) Salary & Wage Component	*1.16 (1.16)*	*1.30 (0.89)*	*1.31 (0.79)*	*1.36 (0.74)*	*31.91 (16.03)*	*43.89 (14.76)*
(b) Non-Salary & Wage Component	*99.23 (98.84)*	*144.39 (99.11)*	*163.53 (99.21)*	*183.30 (99.26)*	*167.15 (83.97)*	*253.55 (85.24)*
Capital Expenditure	***35.95***	***59.36***	***44.62***	***83.34***	***81.77***	***67.50***
Total (Economic Services)	**572.37**	**880.10**	**836.60**	**939.20**	**1127.27**	**1514.63**
Revenue Expenditure *Of which*	***339.05***	***520.42***	***547.95***	***607.87***	***704.04***	***932.91***
(a) Salary & Wage Component	*99.88 (29.46)*	*115.18 (22.13)*	*122.07 (22.28)*	*129.46 (21.30)*	*175.58 (24.94)*	*214.21 (22.96)*
(b) Non-Salary & Wage Component	*239.17 (70.54)*	*405.24 (77.87)*	*425.88 (77.72)*	*478.41 (78.70)*	*528.46 (75.06)*	*718.70 (77.04)*
Capital Expenditure	***233.23***	***360.68***	***288.65***	***331.33***	***423.73***	***581.72***

The expenditure on economic services during 2007-08 (Rs. 1515 crore) accounted for over 50.29 *per cent* of the total expenditure (revenue *plus* capital expenditure) and 64 *per cent* of the development expenditure during the year. Out of the total expenditure on economic services during the current year, 31.08 *per cent* was incurred on agriculture and allied services, 20.94 *per cent* on transport and 17.42 *per cent* on energy.

The trends in revenue and capital expenditure on economic services indicate that capital expenditure consistently increased from Rs. 233 crore in 2002-03 to Rs. 582 crore (149.79 *per cent*) in 2007-08. Revenue expenditure also consistently increased from Rs. 339 crore in 2002-03 to Rs. 933 crore (175.22 *per cent*) in the current year. An increase of Rs. 229 crore (32.51*per cent*), during 2007-08 over the previous year in revenue expenditure was mainly due to the increase in agriculture and allied activities (Rs.47 crore), energy (Rs.16 crore), transport (Rs.56 crore) and other economic services (Rs.98 crore).

Within the revenue expenditure, salary and wage component ranged between 21 and 29 *per cent* of the total revenue expenditure during 2003-08. It increased from Rs. 100 crore in 2002-03 to Rs. 214 crore (114 *per cent*) during the current year, whereas the non-salary and wage component ranged between 71 and 79 *per cent* during 2002-08. The non-salary and wage component also increased from Rs. 239 crore in 2002-03 to Rs. 719 crore (200.84 *per cent*) indicating change in allocative priorities of the State Government.

1.5.4 Financial Assistance to Local Bodies and other Institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the six-year period 2002-08 is presented in **Table 1.23**.

Table 1.23: Financial Assistance

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
University and Educational Institutions	10.12	15.89	24.43	16.49	10.14	12.96
Cultural Institutions/Voluntary Organisations for promotion of Art and Culture	0.12	0.21	0.09	5.21	0.25*	0.50
State Institute of Rural Development	8.46	16.03	0.85	24.36	..	1.07
Social Welfare	0.50	0.46	0.70	0.15	0.15	0.16
Warehousing Corporations	0.77	4.77	..	4.94	14.93	23.06
Co-operation	..	..	..	..	..	..
Zilla Parishads/Village Panchayats *etc.*	..	..	0.48	..	..	..
Other Institutions	2.43	27.42	15.04	15.97	1.84	5.74
Total	**22.40**	**64.78**	**41.59**	**67.12**	**27.31**	**43.49**
Assistance as percentage of Revenue Expenditure	2.17	4.65	2.75	4.02	1.44	1.92

* *The figures of 2006-07 as furnished earlier were rectified and corrected figures depicted.*

The financial assistance extended to local bodies and other institutions with inter-year variations increased by 94 *per cent* from Rs. 22.4 crore in 2002-03 to Rs. 43.5 crore in 2007-08. More than half of the total assistance was released for warehousing corporations during 2006-07 and 2007-08 followed by assistance to universities and other educational institutions. The State Government is also giving adhoc grants on year to year basis to various institutions grouped under the head 'other institutions' which varied from 27.42 crore in 2003-04 to Rs 1.84 crore in 2006-07 and stood at Rs 5.74 crore in the current year.

1.5.5 Non-submission of accounts

In order to identify the institutions which attract audit under Section 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act), Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions. Information for the year 2007-08 called for in April 2008 from 19 departments was awaited as of October 2008.

1.5.6 Abstract of performance of Autonomous Bodies

The audit of accounts of the North Eastern Regional Institute of Science and Technology (NERIST) in the State has been entrusted to the Comptroller and Auditor General of India under Section 20(1) of the DPC Act, 1971 up to 2011-12. The preparation and audit of accounts of the Institute are up to date.

1.5.7 Misappropriation, losses, defalcation, etc.

The State Government reported 38 cases of misappropriation, defalcation, *etc.* involving Government money amounting to Rs. 8.96 crore up to the period March 2008 on which final action was pending. The department-wise break up of pending cases is given in **Appendix 1.7**.

1.6 Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.3** gives an abstract of such liabilities and the assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. While the liabilities consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Appendix 1.6** depicts the time series data on State Government finances for the period 2002-08.

1.6.1 Financial Analysis of Government Investments

1.6.1.1 Incomplete Projects

As per information contained in **Appendix II** of the Finance Accounts for the year 2007-08, as of March 2008, there were 285 ongoing projects and target dates of completion for most of them have not been indicated by the State Government. A further analysis however revealed that 126 projects were taken up between 1991-92 and 2003-04 at an estimated cost of Rs. 13.92 crore against which, expenditure incurred was Rs. 12.53 crore. Within the category of the projects costing Rupees one crore or more there were 3 ongoing projects in the department of PHE, as on 31 March 2008 involving the budgeted cost of the order of Rs.17.52 crore and the cumulative expenditure incurred on them amounted to Rs.5.56 crore as on 31 March 2008. Since the targeted dates of their completion and the revised cost, if any are not indicated by the Government, it is difficult to make observations on cost and time overruns of these projects. It was however observed that in case of one project cumulative expenditure was Rs.4.07 crore as against the budgeted cost of Rs.3.98 crore.

1.6.1.2 Government Investments and Returns

As of 31 March 2008, Government had invested Rs. 218 crore in Government Companies and Co-operative Societies (**Table 1.24**). The return on this investment was Rs.0.01 lakh in the last year while the Government paid interest at an average rate of 6.19 to 10.77 *per cent* on its borrowings during 2002 - 08.

Table 1.24: Return on Investment

Year	Investment **		Return	Rate of Return on Capital Employed	Average rate of interest on Government borrowing	Difference between interest rate and return
	during the year	at the end of the year				
	(Rupees in crore)			(*Per cent*)		
2002-03	0.84	16.08	*	0.02	10.77	10.75
2003-04	0.05	16.13	0.00	0.00	10.32	10.32
2004-05	0.12	16.23	0.00	0.00	8.90	8.90
2005-06	11.58	27.77	0.00	0.00	7.58	7.58
2006-07	3.99	31.76	0.00	0.00	7.99	7.99
2007-08	185.82	217.58	*	*	6.19	6.19

*** Figures differs from figures in Chapter VII and difference is under reconciliation.*
* *less than 0.01*

The investment of the State Government at the end of March 2008 included Rs.9.04 crore in five Government Companies *viz.* Arunachal Pradesh Forest Corporation Limited (Rs 3.80 crore), Arunachal Pradesh Plywood Industries Limited (Rs. 0.20 crore), Arunachal Pradesh Industrial Development Financial Corporation Limited (Rs. 1.82 crore), Arunachal Pradesh Handloom and Handicraft Development Corporation Limited (Rs.0.83 crore) and Arunachal Pradesh Mineral Development and Trading Corporation (Rs.2.39 crore), as well as Arunachal Pradesh State Co-operative Apex Bank Limited (Rs. 190.53 crore) and Rs.18.02 crore in 143 Co-operative Societies. The State Government during the current year invested Rs 180 crore as equity shares in Arunachal Pradesh State Co-operative Apex Bank Limited. However, dividend declared by the Companies/Co-operatives during the current year was Rs. 0.01 lakh. Of the five Government Companies three Companies are running at a loss. The details are shown in **Table 1.25**

Table 1.25: Details of loss making Government Companies

(Rupees in crore)

Name of Companies	Amount invested	Invested up to	Accumulated loss	Period up to[10]
Arunachal Pradesh Forest Corporation Limited	3.80	1995-96	-	1998-99
Arunachal Plywood Industries Limited	0.28	1987-88	-	-
Arunachal Pradesh Industrial Development and Financial Corporation Limited	1.82	2006-07	8.78	2000-01
Handloom and Handicraft Development Corporation	0.83	1996-97	3.38	1996-97
Arunachal Pradesh Mineral Development and Trading Corporation	2.39	2006-07	0.12	1992-93

*** Figures differs from figures in Chapter VII and difference is under reconciliation.*

1.6.1.3 Loans and Advances by State Government

In addition to the investments in Co-operatives, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations. The total outstanding loans and advances as on 31 March 2008 was Rs. 28 crore (**Table 1.26**). Interest received against these loans and advances was meager, which had increased by 85.19 *per cent* during the year over previous year.

Table 1.26: Average Interest Received on Loans and Advances by the State Government

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	19	20	21	25	25	28
Amount advanced during the year	3	3	6	3	5	3
Amount recovered during the year	2	2	2	3	2	3
Closing Balance	20	21	25	25	28	28
Net Addition	1	1	4	-	3	...
Interest Received	-	-	0.49	-	0.54	1.00
Interest received as *per cent* to outstanding Loans and Advances	-	-	2.13	-	2.04	3.57
Average interest rate paid on borrowings by the State Government (*per cent*)	10.77	10.32	8.90	7.58	7.99	6.19
Difference between interest paid and received (*per cent*)	10.77	10.32	6.77	7.58	5.95	2.62

The outstanding loans and advances were mainly in Co-operation (Rs. 11.25 crore), Village and Small Industries (Rs. 1.92 crore) and Government Servants (Rs. 8.26 crore). During the current year, major portion of loans were advances to other Co-operatives (Rs.0.18 crore) and Government Servants (Rs.2.79 crore).

10 Accounts for the subsequent years are in arrears.

1.6.2 Management of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) – Ordinary and Special – from Reserve Bank of India (RBI) has been put in place. The operating limit for Ordinary WMA is reckoned as the three year average of revenue receipts and the operative limit for Special WMA is fixed by RBI from time to time depending on the holding of Government securities.

Under the agreement with the RBI, the Government of Arunachal Pradesh has to maintain an all time minimum balance of Rs.26 lakh with RBI. If the balance falls below the agreed minimum, the Government can take Ordinary WMA from the RBI. In addition, Special WMA are made available against GOI securities held by the State Government. Overdrafts are given by the RBI if the State has a minus balance after availing of the maximum advance.

WMAs and Overdrafts availed, the number of occasions it was availed and interest paid by the State during 2002-08 is detailed in **Table 1.27**.

Table 1.27: Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Ways and Means Advances						
Taken in the year	27.39	-	146.65	42.20	-	-
Outstanding	-	-	55.40	88.70	55.64	55.64
Interest paid	0.04	-	0.24	0.21	8.18	-
Number of Days	*28*	-	*74*	*59*	-	-
Overdraft						
Taken in the year	-	-	45.22	201.50	-	-
Outstanding	-	-	0.50	172.98	-	-
Interest paid	-	-	0.51	0.90	-	-
Number of Days	-	-	*6*	*35*	-	-

As can be seen from the above table, the Government did not have to resort to WMA during the current year (2007-08) indicating comfortable position of cash balances of the State. The cash balances of the State Government increased from Rs. 67.34 crore to Rs. 525.40 crore in 2007-08 over the previous year mainly due to increase in cash balance investment by Rs. 845.96 crore.

1.7 Undischarged Liabilities

According to Arunachal Pradesh FRBM Act, 2006, the total liabilities means the liabilities under the Consolidated Fund of the State and the Public Account of the State and shall also include borrowings by the Public Sector Undertakings and including guarantees where principal and/or interest are to be serviced out of the State budget.

1.7.1 Fiscal Liabilities - Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public Debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Account. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. However, no law has been passed in the State to lay down any such limit. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits.

has it been done now.

Table 1.28 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources and also the buoyancy of fiscal liabilities with respect to these parameters.

Table 1.28: Fiscal Liabilities – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal Liabilities[11] (Rupees in crore)	1227	1525	1778	2337	2371	2639
Rate of Growth (*per cent*)	12.16	24.29	16.59	31.44	1.45	11.30
Ratio of Fiscal Liabilities to						
GSDP (*per cent*)	59.24	64.41	62.31	80.08	69.25	70.57
Revenue Receipts (*per cent*)	110.74	96.76	118.38	126.39	91.47	87.88
Own Resources (*per cent*)	1085.84	924.24	808.18	885.23	632.27	349.54
Buoyancy of Fiscal Liabilities to						
GSDP (ratio)	-7.77	1.70	0.81	13.86	0.08	1.23
Revenue Receipts (ratio)	5.74	0.57	(-)3.53	1.36	0.04	0.71
Own Resources (ratio)	1.13	0.53	0.50	1.57	0.03	0.11

Overall fiscal liabilities of the State increased from Rs. 1227 crore in 2002-03 to Rs. 2639 crore in 2007-08. The growth rate in 2007-08 was 11.30 *per cent* over the previous year. Fiscal liabilities during 2007-08 consist of internal debt, e.g., market loans bearing interest, loans from Life Insurance Corporation of India (LIC) and other institutions, etc. (Rs. 1508 crore), loans and advances from Central Government (Rs. 449 crore), small savings, provident funds (State Provident Funds and Insurance & Pension Funds: Rs. 570 crore) and other non-interest bearing obligations such as deposit of local funds, civil

[11] Includes Internal Debt, Loans and Advances from Government of India, Small Savings, Provident Funds, *etc.*, Deposits and other non-interest bearing obligations.

deposits, etc. (Rs. 112 crore). The ratio of fiscal liabilities to GSDP also increased from 59.24 *per cent* in 2002-03 to 70.57 *per cent* in 2007-08. These liabilities stood at 88 *per cent* of revenue receipts and 3.50 times of the State's own resources at the end of 2007-08. The buoyancy of these liabilities with respect to GSDP during the year was 1.34 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.23 *per cent*.

what is present status.

According to **Statement 4** of the Finance Accounts for the year 2007-08, during 1999-2000, the State Government constituted a 'Consolidated Sinking Fund' for redemption and amortization of open market loans. In 2007-08, the Government appropriated Rs. 10 crore from revenue and credited to this fund for investment in the GOI Securities.

1.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which Government may give guarantees on the security of the Consolidated Fund of the State. Even the APFRBM Act, 2006 also did not fix any ceiling limit for the maximum or outstanding guarantees to be given by the State Government. As per **Statement 6** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of the year since 2002-03 are given in **Table 1.29**.

Table 1.29: Guarantees given by the Government of Arunachal Pradesh

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Maximum amount guaranteed (year end)	-	27	14	24	24	12
Outstanding amount of guarantees (including interest)	-	20	8	6	13	0.98
Percentage of maximum amount guaranted to total revenue receipts	-	1.71	0.93	1.30	0.93	0.40

The maximum amount guaranted by the State Government has declined by 100 *per cent* from Rs 24 crore in 2006-07 to 12 crore in the current year. However, outstanding guarantees at the end of 2007-08 stood at only Rs. 0.98 crore (including interest) which was 0.40 *per cent* of revenue receipts of the State during 2007-08. The State Government is yet to implement the recommendation of the TFC by setting up a guarantee redemption fund through earmarked guarantee fees.

1.8 Debt Sustainability

Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilization in terms of debt/GSDP ratio.

1.8.1 Debt Stabilization

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards the debt stabilization are indicated in **Table 1.30**.

Table 1.30: Debt Sustainability – Interest Rate and GSDP Growth (in *per cent*)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Average Interest Rate	10.77	10.32	8.90	7.58	7.99	6.19
GSDP Growth	-1.56	14.32	20.52	2.27	17.33	9.22
Interest Spread	(-)12.33	4.00	11.62	(-)5.31	9.34	3.03
Outstanding Debt (Rupees in crore)	1094	1227	1525	1778	2337	2371
Quantum Spread[12] (Rupees in crore)	(-)135	49	177	94	218	72
Primary Deficit (-)/ Surplus (+) (Rupees in crore)	(-)88	(-)108	(-)239	(-)100	(+)294	(+)145
Quantum Spread + Primary Deficit (Rupees in crore)	(-)223	(-)59	(-)62	(-)6	(+)76	217

Table 1.30 reveals that quantum spread together with primary deficit has been consistently negative till 2005-06 and accordingly the ratio of fiscal liabilities to GSDP increased from 59.24 *per cent* in 2002-03 to 80.08 *per cent* in 2005-06. Thereafter, not only quantum spread was positive but the primary deficit turned into surplus leading to a steady decline in debt to GSDP ratio which stood at 70.6 *per cent* in 2007-08. These trends indicate State may move towards debt stabilization which in turn would improve the debt sustainability

[12] Quantum Spread: Interest Spread x Opening Fiscal Liabilities ÷ 100.

of the State, provided primary surplus is sustained and/or quantum spread kept at significantly positive in ensuing years.

1.8.2 Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. The persistent negative resource gap indicates the non-sustainability of debt while the continued positive resource gap strengthens the capacity of the State to sustain the debt. **Table 1.31** indicates the resource gap as defined for the period 2002-08:

Table 1.31: Incremental Revenue Receipts and Revenue Expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2002-03	23	(-)15	16	1	(+)22
2003-04	468	344	17	361	(+)107
2004-05	(-)75	113	5	118	(-)193
2005-06	348	148	10	158	(+)190
2006-07	742	198	31	229	(+)513
2007-08	411	396	(-)33	363	(+)48

Table 1.31 reveals that incremental non-debt receipts were adequate to cover the incremental primary expenditure except in 2004-05 when non-debt receipts declined in absolute terms. At the other extreme, despite a marginal increase of Rs 24 crore in non-debt receipts in 2002-03, huge positive resource gap was observed mainly due to fall in both interest payments and primary expenditure relative to the previous year. During 2005-06 and 2006-07, State had steep increase in central transfers resulting in significant increment in non-debt receipts leading to positive resource gap in these years. During the current year, despite a marginal increase of Rs 31 crore in Central transfers, the State could manage to maintain the positive resource gap primarily on account of steep increase in receipts from the power sector.

1.8.3 Net Availability of Borrowed Funds

Debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal + Interest Payment) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e., they are (a) not being used for financing revenue expenditure and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table 1.32 gives the position of receipt and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last six years.

Table 1.32: Net Availability of Borrowed Funds

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Internal Debt[13]						
Receipts	103	190	240	589	300	285
Repayment (Principal + Interest)	76	67	175	160	340	162
Net Fund Available	27	123	65	429	(-)40	123
Net Fund Available (*per cent*)	26.21	64.74	27.08	72.84	-	43.16
Loans and Advances from GOI						
Receipts	67	116	71	203	17	6
Repayment (Principal + Interest)	88	252	88	286	105	28
Net Fund Available	(-)21	(-)136	(-)17	(-)83	(-)88	(-)22
Net Fund Available (*per cent*)	-	-	-	-	-	-
Other obligations[14]						
Receipts	221	318	211	248	308	322
Repayment (Principal + Interest)	180	189	152	191	321	311
Net Fund Available	41	129	59	57	(-)13	11
Net Fund Available (*per cent*)	18.55	40.57	27.96	22.98	-	3.42
Total Liabilities						
Receipts	391	624	522	1040	625	613
Repayments (Principal + Interest)	344	508	415	637	766	501
Net Fund Available	47	116	107	403	(-)141	112
Net Fund Available (*per cent*)	12.02	18.59	20.50	38.75	-	18.27

The debt redemption ratio during the period 2002-08 remained less than the unity except in the year 2006-07 indicating the fact that debt repayments including interest charges were less than the fresh debt receipts. The net availability of borrowed funds increased steadily from 12 *per cent* in 2002-03 to 38.75 *per cent* in 2005-06 which could have been employed to meet the deficit or for other developmental purposes. It was only in 2006-07 internal debt repayments increased sharply resulting in debt redemption ratio exceeding unity reflecting the fact that the fresh debt receipts were far less than the debt repayments. The position again reversed in 2007-08 when internal debt repayments became almost half while debt receipts remained almost at the level of the previous year. Given the fact that debt redemption ratio in respect of GOI loans and advances remained more than unity throughout the period,

[13] Includes Ways and Means Advances and Overdrafts.

[14] Small Savings, Provident Funds, *etc.*, Deposits and other non-interest bearing obligations.

the net availability was determined largely by the debt redemption ratio in respect of internal debt and public account during the period.

1.9 Management of Deficits

1.9.1 Trends in Deficits

Deficit in Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in **Table 1.33.**

Table 1.33: Fiscal Imbalances – Basic Parameters

Parameters	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Surplus (RS) (+)/ Revenue Deficit (RD) (-) (Rupees in crore)	(+)77	(+)184	(-)8	(+)182	(+)695	(+)743
Fiscal Deficit (FD) (-) (Rupees in crore)	(-)124	(-)250	(-)386	(-)257	(+)106	(-)10
Primary Deficit (PD) (-)/ Surplus (+) (Rupees in crore)	(-)88	(-)108	(-)239	(-)100	(+)294	(+)145
RD (-) RS(+)/GSDP (*per cent*)	3.72	7.77	(-)0.28	6.24	20.30	19.87
FD/GSDP (*per cent*)	(-)5.99	(-)10.56	(-)13.53	(-)8.81	3.10	(-)0.27
PD (-) PS (+)/GSDP (*per cent*)	(-)4.25	(-)4.56	(-)8.38	(-)3.43	8.59	3.88
RD/FD (*per cent*)	Revenue Surplus		2.07	Revenue Surplus		

Table 1.33 reveals that the revenue account experienced surplus throughout the period 2002-08 with an exception of minor deficit of Rs 8 crore during 2004-05. Revenue surplus has consistently increased from Rs 182 crore in 2005-06 to Rs 743 crore in 2007-08. An improvement of Rs 48 crore in revenue surplus during the current year was mainly on account of an increase of Rs.411 crore in revenue receipts (16 *per cent*) against the increase of Rs 363 crore (19 *per cent*) in revenue expenditure. Although around 3/4th of revenue receipts of the State are contributed in the form of Central transfers, during 2007-08 the increase in revenue surplus was mainly on account of a steep increase in non-tax revenue (Rs.360 crore) which seems to be due to huge upfront receipts from private power developers in the State.

Despite a cushion of Rs. 48 crore in the form of incremental revenue surplus in 2007-08, the fiscal surplus of Rs 106 crore in 2006-07 turned into fiscal deficit of Rs. 10 crore during the current year mainly because of net increase of 164 crore in capital expenditure disbursement of loans and advances relative to previous year. Fiscal deficit relative to GSDP at 0.22 *per cent* was however well within the norm of 3 *per cent* prescribed by APFRBM Act, 2006. Despite a decline of Rs 33 crore in interest payments, primary surplus decreased to

Rs. 145 crore in 2007-08 from Rs. 294 crore in previous year due to deterioration in fiscal deficit position of the state during current year.

1.9.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit[15] into primary revenue deficit[16] and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. The State experienced the revenue surplus throughout the period 2002-08 with an exception of minor deficit of Rs 8 crore during 2004-05. The RD being wiped out in 2005-06 and turning into surplus since then, indicates the fact that all borrowings (fiscal liabilities) were used in activities resulting in expansion in the asset back up of the State.

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2002-08 reveals (**Table 1.34**) that throughout this period, the primary deficit was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure[17] requirements in the revenue account, rather left some receipts to meet the expenditure under the capital account. But the surplus non-debt receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit till 2005-06 and thereafter turned into surplus during 2006-07 and 2007-08. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which may be desirable to certain extent to improve the productive capacity of the State's economy.

Table 1.34: Primary Deficit/Surplus – Bifurcation of Factors

(Rupees in crore)

Year	Non-debt Receipt (NDR)	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	NDR *vis-à-vis* Primary Rev. Exp.	Primary Deficit (-)/ Surplus (+)
1	2	3	4	5	6 (3 + 4 + 5)	7 (2 – 3)	8 (2 -6)
2002-03	1111	906	290	3	1199	(+)205	(-)88
2003-04	1579	1250	433	4	1687	(+)329	(-)108
2004-05	1504	1363	375	6	1744	(+)141	(-)240
2005-06	1852	1511	438	4	1953	(+)341	(-)101
2006-07	2594	1709	586	5	2300	(+)85	(+)294
2007-08	3006	2105	753	3	2861	(+)901	(+)145

[15] *Primary deficit is defined as the fiscal deficit net of interest payments and indicates the extent of deficit which is an outcome of the fiscal transactions of the States during the course for the year.*

[16] *Primary revenue deficit as the gap between non-interest revenue expenditure of the State and its revenue receipts indicates the extent to which the revenue receipts of the state are able to met the primary expenditure incurred under revenue account.*

[17] *Primary expenditure of the State, defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.*

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table 1.35** below presents a summarized position of Government finances over 2002-08, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table 1.35: Indicators of Fiscal Health (in *per cent*)

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
I. Resource Mobilization						
Revenue Receipts (RR)/ GSDP	53.50	66.56	52.64	63.36	75.70	80.30
Revenue Buoyancy Ratio	-1.36	2.95	-0.23	10.18	2.32	1.72
Own tax/GSDP	1.79	1.86	1.75	2.12	2.28	2.62
Own Taxes Buoyancy Ratio	-12.37	1.32	0.66	10.58	1.49	2.78
II. Expenditure Management						
Total Expenditure (TE)[18]/ GSDP	63.92	77.25	66.27	72.27	72.67	80.65
RR/TE	83.69	86.17	79.43	87.67	104.18	99.57
Revenue Expenditure (RE)/ TE	77.87	76.11	79.85	79.07	76.27	74.93
Plan Expenditure[19]/ Total Expenditure	53.75	53.61	50.30	55.11	56.14	52.92
Capital Expenditure/ Total Expenditure	21.90	23.69	19.83	20.75	23.54	24.97
Development Expenditure/ Total Expenditure	70.88	75.02	73.05	75.89	76.43	78.58
Buoyancy of TE with RR	(-)0.42	0.90	(-)0.721	0.50	0.45	1.34
Buoyancy of RE with RR	0.047	0.829	(-)1.804	0.453	0.342	1.207
III. Management of Fiscal Imbalances						
Revenue Deficit(-)/Surplus (+) (Rs in crore)	(+)77	(+)184	(-)8	(+)182	(+)695	(+)743
Fiscal Deficit (-)/Surplus (+) (Rs in crore)	(-)124	(-)250	(-)386	(-)257	(+)106	(-)10
Primary Deficit (-)/ Surplus (+) (Rs in crore)	(-)88	(-)108	(-)239	(-)100	(+)294	(+)145
Revenue Deficit/Fiscal Deficit	Revenue Surplus		0.32	Revenue Surplus		
IV. Management of Fiscal Liabilities						
Fiscal Liabilities (FL)/ GSDP	59.24	64.41	62.31	80.08	69.25	70.57
FL/RR	110.74	96.76	118.38	126.39	91.47	87.88
Buoyancy of FL with RR (ratio)	-7.77	1.70	0.81	13.86	0.08	1.23
Buoyancy of FL with Own Receipt (ratio)	5.74	0.57	(-)3.53	1.36	0.04	0.71

18 *Total expenditure excludes Loans and Advances.*
19 *Excluding disbursement of Loans*

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Interest Spread	(-)9.69	4.91	(-)0.24	0.88	0.45	2.25
Net Funds Available	12.02	18.59	20.50	38.75	-	18.27
V. Other Fiscal Health Indicators						
Return on Investment	0.02	-	-	-	-	-
BCR (Rupees in crore)	(-)131	(-)210	(-)211	(-)8.00	37	370
Financial Assets/Liabilities (ratio)	2.46	2.50	2.27	2.09	2.39	2.62

The trends in ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy and accessibility of State to resources. Revenue receipts comprise not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratios of revenue receipts and of own taxes to GSDP indicated a steady increase over the period 2002-08. It may be pertinent to mention that around 75 *per cent* of the revenue receipts of the State is shared by central transfers during this period and increase in the receipts relative to GSDP during the current year was primarily driven by a steep increase in non tax revenue of the State. The State's own taxes to GSDP ratio although increased gradually from 1.79 *per cent* in 2002-03 to 2.62 *per cent* in the current year, yet remained too low indicating the potential of additional resource mobilization through this source as actual tax revenue during the year was far below the normative assessment of TFC as well as in relation to the rate of growth of GSDP during the period.

Various ratios relating to expenditure indicate quality of expenditure and sustainability in relation to its resource mobilization efforts. The revenue expenditure as a percentage to total expenditure decreased to 75 *per cent* during the year due to a favorable bias to capital expenditure. The higher buoyancy ratio of total expenditure as compared to that of revenue expenditure with respect to revenue receipts indicates the propensity of the State Government to create assets by resorting to capital expenditure. Capital expenditure increased by Rs.167 crore in 2007-08 over the previous year. Increasing reliance on revenue receipts particularly from 2005-06, to finance the total expenditure indicates decreasing dependence on borrowed funds. This is also reflected in the decreasing ratio of financial liabilities to revenue receipts, during the current year. Increasing proportion of development expenditure in the total expenditure also indicates improvement in both development and quality of expenditure.

Although revenue surplus was maintained during the year, there was deterioration in fiscal deficit and primary surplus position primarily due to sharp increase in capital expenditure. Balance from Current Revenue (BCR) which was Rs 37 crore in 2006-07 increased ten times to Rs 370 crore during 2007-08 indicating sharp increase in net availability of resources from current revenue of the State for plan and capital expenditure. The ratio of assets to liabilities, which shows the extent to which additional liabilities were employed for creation of additional assets continued to exceed during the period 2003-08 and stood at 2.62 in 2007-08.

1.11 Conclusion

The key fiscal parameters - revenue and fiscal deficits - revealed a mixed trend in the fiscal situation of the State during the current year as revenue surplus increased by 7 *per cent* (Rs 48 crore) while the fiscal surplus turned into deficit and the primary surplus deteriorated by 50.7 *per cent* (Rs 149 crore) in 2007-08 relative to the previous year. An improvement in the revenue surplus may however be seen in view of the fact that around 75 *per cent* of the State's revenue receipts (Rs 3003 crore) are contributed by increased Central transfers comprising of State's share in Union pool of taxes and duties (Rs 438 crore) and grants-in-aid from Government of India (Rs 1810 crore) in 2007-08 over the previous year. Moreover, within the State's own resources, a sharp increase in non tax revenue (Rs 360 crore) in 2007-08 over the previous year was primarily due to the fact that an increase of Rs 339 crore was recorded as receipts from the power sector in the State which appears to be due to enhanced upfront receipts from private power developers. Besides the fact that deterioration in fiscal deficit was mainly due to increase in capital expenditure by 28 *per cent* (Rs 167 crore) and relative to GSDP it was well within the norm of three *per cent* stipulated in FRBM Act-2006. The expenditure pattern of the State reveals that the revenue expenditure continued to share a dominant proportion in total expenditure of the State which was around 75 *per cent* during 2007-08 and within the revenue expenditure, NPRE at Rs 1216 crore in 2007-08 was significantly higher than the normative assessment of Rs 881 crore made by the TFC for the year. Further, three components - salary expenditure, pension liabilities and interest payments constituted about 66 *per cent* of the NPRE during 2007-08. These trends in expenditure indicate the need for change in allocative priorities. The fiscal liabilities of the State have consistently increased and stood at as high as 70.6 *per cent* of GSDP in 2007-08 and are quite high, especially when compared with the TFC norm of 31 *per cent,* to be achieved by the terminal year of its award period. The increasing fiscal liabilities accompanied by a negligible rate of return (less than one *per cent)* on Government's investment and inadequate interest cost recovery continued to be a cause of concern and might lead to an unsustainable debt position in medium to long run unless suitable measures are initiated to compress the non plan revenue expenditure and mobilize the additional resources especially by exploiting the untapped taxable sources in ensuing years as the tax revenue of the State in the current year (Rs.98 crore) is far below the normative assessment of TFC (Rs. 138 crore) for the year.

CHAPTER – II

ALLOCATIVE PRIORITIES AND APPROPRIATION

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ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget.

Audit of Appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2007-08 against 68 grants/appropriations is indicated in the table below:-

Table 2.1

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure[1]	Saving(-) Excess(+)
Voted	I. Revenue	1942.60	803.89	2746.49	2088.20	(-) 658.29
	II. Capital	302.60	893.75	1196.35	754.14	(-) 442.21
	III. Loans	4.23	-	4.23	2.97	(-) 1.26
Total Voted:		**2249.43**	**1697.64**	**3947.07**	**2845.31**	**(-) 1101.76**
Charged	IV. Revenue	226.21	1.32	227.53	171.39	(-) 56.14
	V. Capital	-	-	-	-	-
	VI. Loans					
	VII. Public Debt	194.12	-	194.12	77.13	(-) 116.99
Total Charged:		**420.33**	**1.32**	**421.65**	**248.52**	**(-)173.13**
GRAND TOTAL:		**2669.76**	**1698.96**	**4368.72**	**3093.83**	**(-) 1274.89**

[1] *These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure (Rs.0.04 crore) and Capital expenditure (Rs.0.94 crore).*

The net saving of Rs. 1274.89 crore was the result of overall savings of Rs. 1306.66 crore in 63 grants and appropriations partly offset by excess of Rs.31.77 crore in 19 grants and appropriations.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

(i) Out of overall savings of Rs.1306.66 crore, major savings of Rs.1103.25 crore (84.43 *per cent*) occurred in 7 grants and one appropriation as mentioned below:

Table 2.2

(Rupees in crore)

Grant No./Name of the Grant	Grant			Actual Expenditure	Savings
	Original	Supplementary	Total		
Revenue Voted					
15 Health and Family Welfare	79.62	46.20	125.82	103.31	22.51
38 Water Resource Department	81.72	37.05	118.77	87.95	30.82
50 Secretariat Economic Services	554.32	-	554.32	31.09	523.23
Revenue Charged					
Public debt	222.57	-	222.57	167.34	55.23
Total:	**938.23**	**83.25**	**1021.48**	**389.69**	**631.79**
Capital Voted					
26 Rural Works	5.11	25.85	30.96	8.40	22.56
32 Roads and Bridges	99.31	246.46	345.77	165.21	180.56
34 Power	56.38	101.98	158.36	94.84	63.52
66 Power (civil)	36.52	84.37	120.89	33.06	87.83
Capital Charged					
Public Debt	194.12	-	194.12	77.13	116.99
Total	**391.44**	**458.66**	**850.10**	**378.64**	**471.46**
GRAND TOTAL	**1329.67**	**541.91**	**1871.58**	**768.33**	**1103.25**

Reasons for savings were not intimated by the departments.

Areas in which major savings occurred in these grants/ appropriations are given in *(Appendix -2.1)*.

(ii) In 29 cases, net savings aggregating Rs.1262.44 crore exceeded Rupees one crore in each case and were also more than 10 *per cent* of the total provision, as indicated in *(Appendix -2.2)*.

2.3.2 *Excess requiring regularisation*

(i) Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.990.57 crore for the years 1986-87 to 2006-07 was yet to be regularised. Details are given in *(Appendix - 2.3)*.

(ii) Excess over provision during 2007-08 requiring regularisation:

The excess of Rs.31.77 crore under 22 grants requires regularisation under Article 205 of the Constitution *(Appendix - 2.4)*.

2.3.3 *Original budget and supplementary provisions*

Supplementary provision made during the year constituted 64*per cent* of the original provision as against 39 *per cent* in the previous year. Total supplementary grants obtained during the year were Rs.1698.96 crore while the ultimate total savings amounted to Rs.1274.89 crore.

2.3.4 *Unnecessary/excessive/inadequate supplementary provisions*

(i) Supplementary provision of Rs. 91.54 crore made in 5 cases during the year proved unnecessary in view of the aggregate saving of Rs. 106.45 crore in these cases as detailed in *(Appendix - 2.5)*.

(ii) In 50 cases, against additional requirement of only Rs. 963.32 crore, supplementary grants/appropriations of Rs. 1,460.46 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs. 497.14 crore *(Appendix - 2.6)*.

(iii) In 8 cases, supplementary provision of Rs. 62.09 crore proved insufficient by more than Rs. 10 lakh each leaving an aggregate uncovered excess expenditure of Rs. 3.76 crore *(Appendix - 2.7)*.

2.3.5 *Excessive/unnecessary/injudicious re-appropriation of funds*

Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. In 52 cases, injudicious re-appropriation of funds proved excessive or resulted in savings of Rs. 10 lakh and above in each case *(Appendix - 2.8)*.

2.3.6 *Expenditure without provision*

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was however, noticed that expenditure of Rs. 8.16 crore was incurred in 8 cases, *(Appendix - 2.9)* without any provision in the original estimate/ supplementary demand or reappropriation order.

2.3.7 *Unutilised provision of funds*

In 28 cases, there was no expenditure resulting in non-utilisation of entire budget provision of Rs.266.16 crore *(Appendix - 2.10)*. Out of these cases, in 19 cases, the savings exceeded Rupees one crore or more. These instances were indicative of ineffective monitoring and control over expenditure.

2.3.8 *Persistent savings/excess*

In 7 cases, there were persistent savings in excess of Rs. 10 lakh and 10 *per cent* or more of the provision in each case *(Appendix - 2.11)*.

The case of persistent excesses requires investigation by the Government for remedial action.

2.3.9 *Anticipated savings not surrendered*

According to the rules framed by the Government, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. However, at the close of the year 2007-08 there were 58 grants/appropriations in which large savings had not been surrendered by the Department. The amount involved was Rs.708.53 crore. In 38 cases, the amount of available savings of Rupees one crore and above in each case not surrendered, aggregated Rs.697.95 crore. This indicated lack of financial control and monitoring *(Appendix - 2.12)*.

2.3.10 Rush of expenditure

The financial rules require that Government expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the closing month of the financial year is to be regarded as a breach of financial regularity and should be avoided. Contrary to these provisions, in respect of 10 heads of accounts, while the expenditure during the three quarters ending December 2007 was between 13 to 19 *per cent* of the total expenditure, it was as high as 53 *per cent* in the last quarter of the year. Expenditure of Rs.326.36 crore constituting 37 *per cent* of the total expenditure was incurred in March 2008 indicating rush of expenditure in March *(Appendix - 2.13)*.

2.3.11 *Non-adjustment of Abstract Contingent Bills*

Rules provide that drawals through abstract contingent bills (AC bills) require presentation of detailed countersigned contingent bills (DCC bills) to the controlling officer (CO) and transmission to the Accountant General. A certificate is also required to be attached to every AC bill to the effect that DCC bills have been submitted to the CO in respect of all one month old AC bills (drawn more than a month before the date of that bill).

Records available in respect of 70 Drawing and Disbursing Officers (DDOs) revealed that during 2001-08 Rs. 28.88 crore were drawn through 2307 AC bills but DCC bills against these drawals had not been furnished to the Accountant General as of March 2008 (***Appendix - 2.14***). These drawals remained unadjusted for periods ranging from one to five years as of March 2008.

Thus, due to non-submission of DCC bills, the actual expenditure against these drawals remained un-assessed by the Government which indicated serious deficiency in control over expenditure.

The matter was reported to the Government (March 2008); reply had not been received (November 2008).

CHAPTER – III

PERFORMANCE REVIEWS (CIVIL DEPARTMENTS)

CHAPTER – III

PERFORMANCE REVIEWS

HEALTH DEPARTMENT

3.1 National Rural Health Mission (NRHM)

Highlights

The National Rural Health Mission (NRHM) was launched in April 2005 throughout the country with special focus on 18 States including Arunachal Pradesh. NRHM sought to provide healthcare to all in an equitable manner through increased outlays, horizontal integration of existing healthcare schemes with special emphasis on primary healthcare to 9.74 lakh rural people in the State.

There are some noteworthy achievements of the Mission Directorate and the State Government in implementation of NRHM. Arunachal Pradesh has been declared as the first State in the country to eradicate the polio menace. In the test-checked districts, no case of child diseases like diphtheria, neonatal tetanus, tetanus and whooping cough were reported during the last 3 years. Also, there is no incidence of death due to vector borne diseases like kala azar, filaria, Japanese encephalitis and dengue in the State.

However, a mid-course review of the programme revealed deficiencies in planning, implementation and monitoring of the scheme; shortage of medical staff, inadequate infrastructure facilities and lack of public awareness. Some of the major audit findings are highlighted below:

- **Out of the Rs. 99.07 crore received during 2005-08 the Mission spent only Rs. 54.77 crore leaving Rs. 44.30 crore (44.72 *per cent*) unutilized, which affected the implementation of the scheme adversely.**

(Paragraph 3.1.9.2)

- **During 2005-06 and 2006-07 the NRHM was implemented without any Annual Action Plan either at Village, Block or at the District level.**

(Paragraph 3.1.8)

- **The State had an overall shortage of 158 doctors, 282 staff nurses and 510 ANMs.**

(Paragraph 3.1.11.1)

- **Out of 378 SCs, 100 are running without any ANM and 173 SCs had single ANM instead of the required number of two. This was mainly due to shortfall in recruitment and training of ASHAs.**

(Paragraph 3.1.11.1)

3.1.1 Introduction

NRHM was launched in the State in May 2005 following a Memorandum of Understanding (MOU) between the State Government and GOI. The Mission envisages involvement of community in planning and monitoring with a view to reduce maternal mortality rate (MMR), infant mortality rate (IMR) and the total fertility rate (TFR) within a seven year period (2005-12). Prevention and control of communicable and non-communicable diseases, including locally endemic diseases also constitute an important component of the Mission.

3.1.2 Programme objectives:

The objectives of NRHM are:

- to provide accessible, affordable, accountable, effective and reliable healthcare facilities in the rural areas of the entire country especially to poor and vulnerable sections of the population;
- to involve the community in planning and monitoring;
- to reduce infant mortality rate, maternal mortality rate and total fertility rate for population stabilization; and
- to prevent and control communicable and non-communicable diseases, including locally endemic diseases.

To achieve the above objectives, some of the existing healthcare programme *viz.,* Reproductive and Child Health – II, Vector Borne Disease Control Programme, Tuberculosis, Leprosy and Blindness control programme etc were brought within the ambit of the Mission as the following components:

- Reproductive and Child Health (RCH II)
- Additionalities under NRHM
- Routine Immunisation
- National Disease Control Programme
  - National Vector Born Disease Control Programme (NVBDCP)
  - Revised National Tuberculosis Control Programme (RNTCP)
  - National Leprosy Elimination Programme (NLEP)

- National Programme for Control of Blindness (NPCB)
- Iodine Deficiency Disorder Disease Control Programme (IDDDCP)
- Integrated Disease Surveillance Project (IDSP)

➢ Inter-sectoral convergence

3.1.3 Organizational Setup

The State Health Mission (SHM) and the State Health Society (SHS) were constituted in September 2005 for implementation of NRHM. The Society Secretariat/ State Programme Management Support Unit (SPMU) is headed by the Mission Director, NRHM who is assisted by the State Programme Manager / Nodal Officer, State Finance Manager and IEC/Nodal Officer (JSY) and other members of the SPMU as shown below:

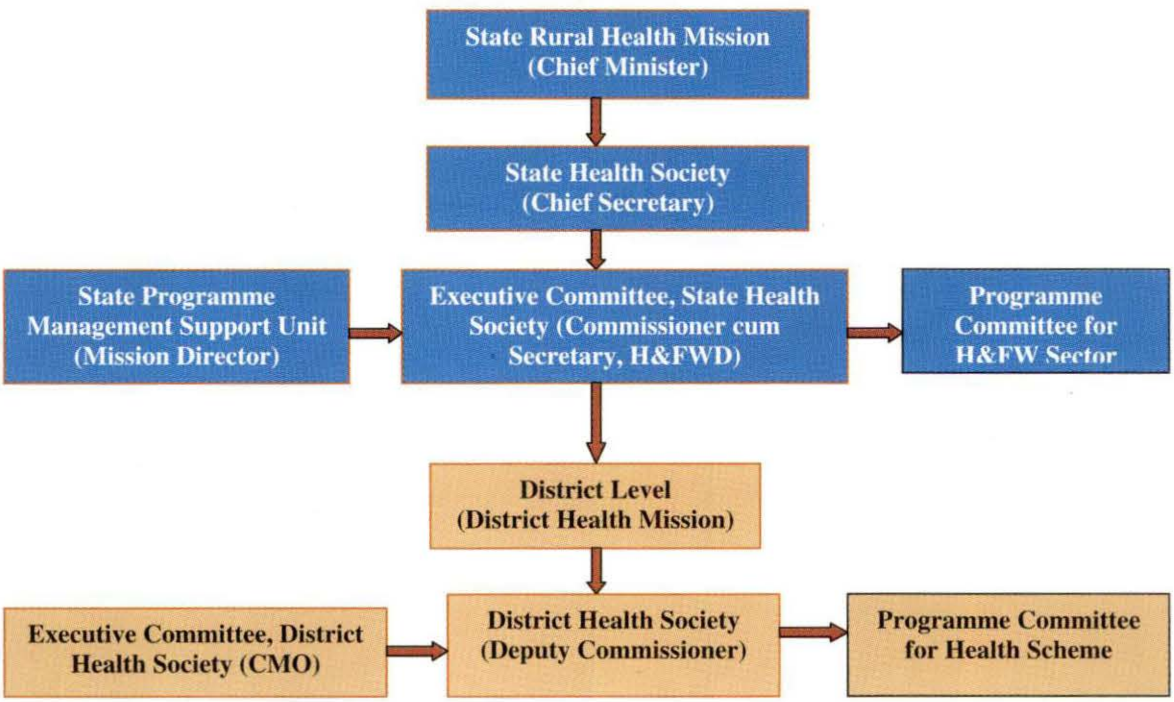


Chart: 3.2.1

3.1.4 Scope of Audit

Implementation of NRHM during the period 2005-08 was reviewed in audit during April to September, 2008 through a test-check of the records of the Mission Directorate and 4 (25 *per cent*) out of 16 districts. In these 4 districts, the review covered 4 District Reproductive Child Health Offices (DRCHO) (100 *per cent*), 7 Community Health Centres (CHCs) (100 *per cent*), 16 Primary Health Centres (PHCs) (50 *per cent*) and 32 Sub Centres (SCs) (36 *per cent*). The units were selected for detailed scrutiny through simple random sampling method.

3.1.5 Audit Objectives

The objectives of the performance audit were to verify whether:

- planning for the implementation of the programme as well as monitoring and evaluation procedures at the level of Village, Block, District and State were oriented towards its principal objective of ensuring accessible, effective and reliable healthcare to rural population;
- the level of community participation in planning, implementation and monitoring of the Mission was adequate and effective;
- public spending on health sector over the years 2005-08 increased to the desired level and available funds were optimally utilised for the intended purpose;
- the information, education and communication (IEC) programme implementation was efficient, cost effective and resulted in increased awareness about preventive aspects of healthcare;
- the performance indicators and targets fixed specially in respect of reproductive and child healthcare, immunization and disease control programmes were achieved; and
- the provision of affordable and accountable public health delivery system for the targeted population, especially the socially and economically deprived groups and women and children, was created as envisaged.

3.1.6. Audit Criteria

Audit findings were benchmarked against the following criteria:

- Guidelines of NRHM;
- MOU signed between the Union Ministry of Health and Family Welfare and the State Government;
- Annual Work Plan;
- Perspective Plan, District Health Action Plan; and
- Prescribed monitoring mechanism

3.1.7 Audit Methodology

The performance audit commenced with an entry conference on 02 April 2008 with the Mission Director, NRHM and other Nodal Officers responsible for implementation of the programme wherein, the objectives, criteria and scope of audit were explained. Audit findings were discussed with the Commissioner & Secretary, Health, Mission Director NRHM and other Nodal Officers in an exit conference on 12 November 2008, and the replies of the Department have been incorporated in the review, wherever relevant and appropriate.

Audit Findings:

The mid-term review of implementation of NRHM in the State revealed that there are some noteworthy achievements of the State Government. However, there were deficiencies in the planning process, failure in involving the community in planning, implementation and monitoring of the scheme; shortage of medical staff; inadequate infrastructure facilities and lack of public awareness. Major audit findings are discussed in the succeeding paragraphs.

3.1.8 Planning

NRHM strives for a decentralized health planning and implementation arrangement to ensure that need-based and community-owned District Health Action Plans (DHAPs) become the basis for interventions in the health sector. The districts are, thus, required to prepare perspective plans for the entire Mission period as well as Annual Health Action Plans (AHAPs). Based on the DHAPs, the State Health Society is to prepare a Project Implementation Plan (PIP) for the State for approval by the National Programme Coordination Committee (NPCC) and the GOI.

Scrutiny of the records in the Mission Directorate as well as in the sampled districts revealed that during 2005-07, no AHAP was prepared either at the Village, Block, or at District level. Though the DHAPs were prepared during 2007-08 by the districts based on the household surveys conducted at village level, these were not prepared timely. Village Health Action Plan (VHAP) and Block Health Action Plan (BHAP) were, however, not prepared during 2005-08.

3.1.8.1 Facility surveys/Household surveys

As per the GOI instructions, facility survey of all the medical units and household survey should be completed by March 2008. As per the progress report submitted by the Mission Directorate, there was shortfall in facility survey ranging from 6 to 52 *per cent* and in household survey by 31 *percent*. The position as on March 2008 is captured in the following table:

Table: 3.1.1

Particulars	Number	Facility survey conducted	Shortfall (percent)
District Hospitals	14	12	2 (14)
Community Health Centres	31	29	2 (06)
Primary Health Centres	85	41	44 (52)
Sub Centre	378	299	79 (21)
Household Survey (Districts)	16	11	5 (31)

Source: Mission Directorate

Data collected through the household and facility surveys was not validated by the Village Health Sanitation Committee (VHSC) as required under the NRHM guidelines. Similarly, the mechanism of sample verification of the correctness of the survey data either by NGOs or by the higher officers, as prescribed under NRHM framework were also not followed while finalization of DHAPs. Further, a central database was to be prepared for future healthcare planning by using the authenticated survey results. The database was also not prepared/ maintained at the district or at the State level.

3.1.9 Financial Management

3.1.9.1 Funding pattern

The State is required to reflect its requirement for various components of the programmes i.e. (a) RCH, (b) Additionalties under NRHM, (c) Immunisation, (d) RNTCP, (e) NVBDCP, (f) Other National Disease Control Programme (NDCPs) and (g) Inter-sectoral issues in a consolidated Programme Implementation Plan (PIP).

The GOI allocates the funds directly to the State Health Society (SHS) on the basis of the approved PIP. During 2005-07, 100 *per cent* grants were provided to the State. However, from the 11th Plan Period (2007-12), the State was required to contribute 15 *per cent* of the total fund requirements for NRHM.

3.1.9.2 Allocation and Expenditure

The position of funds allotted and expenditure incurred there against during 2005-08 is given in the following table:

Table: 3.1.2

(Rs. in Crore)

Year	Funds released			Expenditure	Savings (percent)
	Central*	State	Total		
2005-06	11.28	-	11.28	6.21	05.07 (45)

2006-07	34.16	-	34.16	17.63	16.53 (48)
2007-08	53.63	Nil	53.63	30.93	22.70 (42)
Total	**99.07**		**99.07**	**54.77**	

Source: Mission Directorate's records **includes last year savings*

Apart from the funds detailed above, the GOI released funds under different vertical programmes which form part of NRHM. The position of funds received and expenditure incurred during 2005-08 under these vertical programmes is given in the following table.

Table: 3.1.3

(Rs. in lakh)

Programme	Year	OB	Funds received	Other Receipts	Available Funds	Expenditure	Savings (percent)
NVBDCP	2005-06	-	74.03	0.01	74.04	6.46	67.58 (91)
	2006-07	67.58	200.76	3.14	271.48	174.21	97.27 (36)
	2007-08	97.27	306.20	1.87	405.34	316.34	89.00 (22)
RNTCP	2005-06	19.57	160.00	5.79	185.36	138.63	46.73 (25)
	2006-07	46.73	100.00	5.17	151.90	142.77	09.13 (06)
	2007-08	9.13	160.00	2.36	171.49	152.17	19.32 (11)
NPCB	2005-06	33.27	29.50	1.31	64.08	34.72	29.36 (46)
	2006-07	29.36	91.22	2.15	122.73	50.86	71.87 (59)
	2007-08	71.87	Mission did not furnish these figures.				
NLEP	2005-06	23.69	20.83	0.21	44.73	41.50	3.23 (07)
	2006-07	3.23	110.04	0.34	113.61	113.14	0.47 (00)
	2007-08	0.47	46.26	0.14	46.87	46.02	0.85 (02)

Sources: Annual Accounts of NRHM and Vertical Societies

As can be seen from table 3.1.2, during the period 2005-08, out of the available funds of Rs. 99.07 crore, the SHS could utilise only Rs. 54.77 crore. Since the funds were provided based on the agreed PIP, the short-utilization of the allocated funds would have without doubt adversely affected the fulfillment of the Mission objectives to that extent.

The Department stated (November 2008) that due to difficult topography and poor communication facilities, the pace of execution of works were slow which caused short-utilization of funds. The reply is not acceptable as the reasons given are supposed to be well known to the Department when the planning and budget allocations were decided.

Similarly, the SHS could not utilize the funds provided under vertical programme during 2005-08 to the full extent. The short utilisation of funds is bound to impact adversely on the achievement of objectives for which funds were provided.

3.1.9.3 Delay/short release of State share

As per the funding pattern, the State was to release Rs. 6.05 crore in 2007-08 being the 15 *per cent* share of the total approved outlay (Rs. 40.34 crore). The State, however, released only Rs. 4 crore in April 2008. Thus, there was a delay as well as short-release of State share amounting to Rs. 2.05 crore as of September 2008 which adversely affected the resource availability for the healthcare activities.

The Government admitted the audit finding and stated (November 2008) that efforts would be made to release its outstanding share.

3.1.9.4 Expenditure on management cost

As per the guidelines, up to six *per cent* of the total annual work plan for the year can be utilized for contractual engagement of personnel with new skills under management cost.

During the years 2006-08, Rs. 8.52 crore (11 *per cent*) was incurred on management cost against the admissible limit of six *per cent* on the salaries of Medical Officer, Auxiliary Nursing Midwife (ANM), Staff nurse, Lab Technician etc.

The Mission Directorate stated (November 2008) that it was very difficult to limit the management cost to six *per cent* of the total NRHM budget due to various inevitable reasons which had already been highlighted to the GOI.

3.1.9.5 Irregular utilisation of untied funds

NRHM guidelines stipulate that untied funds meant for the SCs should be utilised for activities like minor modification of the centre, cleaning, transportation in emergent cases to appropriate referral units, carrying of samples during epidemic, purchase of bleaching powder etc. with the approval of Village Health Sanitation Committee.

Scrutiny of the records of District Reproductive Child Health Office, East Siang and Changlang districts revealed that during the year 2005-06 Rs. 5 lakh (East Siang - Rs. 3 lakh & Changlang - Rs. 2 lakh) was spent out of the untied funds on other activities like purchase of furniture, hospital accessories, construction of operation theatre, etc. in violation of the NRHM guidelines.

DRCHOs (July 2008) stated that due to non-formation of VHSC and non-opening of bank accounts, the funds were spent at the district level. The Government admitted the audit finding and promised (November 2008) that adequate follow up action would be taken.

3.1.9.6 Vertical integration of Programmes

As per the NRHM guidelines, all the vertical programmes under National Disease Control Programme of the MoH&FW viz., NVBDCP, RNTCP, NPCB, NLEP, IDSP, IDDDCP were to be integrated by April, 2007 into NRHM by release of funds through the mission finance management group. However, scrutiny of records revealed that during 2005-08 the financial outlay and expenditure under NRHM and vertical programmes were separately accounted for and only the accounts of all the vertical programmes were amalgamated with NRHM in the Annual Statement of Accounts for the period of 2007-08. Other formalities like fund allotment along with NRHM, one DDO, one cashbook, one bank account, etc had not taken place as of March 2008.

The Government held (November, 2008) GOI responsible for this failure since though the demand for funds was projected in a consolidated form in the PIP by the State, the GOI released funds separately for each component, in violation of the Mission guidelines.

3.1.9.7 Audit of the Society

As per the MoU signed between the State Government and the MoH&FW, the State was to organise the audit of the State and District societies within six months from the close of the financial year. The funds routed through the MoU mechanism are also liable for statutory audit by the Comptroller and Auditor General of India. However, there were delays in finalisation of the annual accounts for the years 2005-06 to 2006-07. Further, the 2007-08 annual accounts were not finalised as of September 2008. Besides, all these years' accounts have not yet been furnished to the Accountant General.

While admitting the facts, the Department explained (November 2008) that the difficult weather and communication bottleneck in the State caused delay in audit by the Chartered Accountant in various remote districts.

3.1.10 Infrastructure

3.1.10.1 Healthcare infrastructure

As per the NRHM norms for establishment of rural health centres in hilly and tribal areas, one Sub Centre (SC) is to be set up for a population of 3,000, one Primary Health Centre (PHC) for a population of 20,000 and one Community Health Centre (CHC) for a population of 80,000 to 100,000.

Arunachal Pradesh has a rural population of 9.74 lakh. Scrutiny of the records at Mission Directorate revealed that the healthcare centres in the State exceeded the required number as per the NRHM norms as indicated in the following table:

Table: 3.1.4

Centre	Requirement as per norms	Actual centres	Excess
SCs	325	378	53
PHCs	49	85	36
CHCs	12	31	19

Source: Directorate NRHM

Though the State has more healthcare centres than required under norms prescribed in NRHM, to meet the peculiar requirement and scanty population in the State, the infrastructure facilities in healthcare sector in the State was not up to the desired level and desired standard. There were also delays in upgradation of hospital buildings. The shortcomings in the infrastructure are discussed in the subsequent paragraphs.

3.1.10.2 Delay in upgradation of Hospital buildings

During the year 2007-08, the GOI released Rs. 14 crore for upgradation of district hospitals to be used in the ratio of 60:40 between civil works and medical equipment respectively. The Mission Director, however, released Rs. 8.70 crore for civil work to 14 District Health Societies (September-October 2007). Equipment valued at Rs. 2.92 crore was also procured and delivered to the DHs. The balance amount of Rs. 2.38 crore remained unspent with the Mission Director as of March 2008.

Scrutiny of records revealed that only Rs. 1.81 crore (21 *per cent*) out of Rs. 8.70 crore was spent on civil works, leaving an unspent balance of Rs. 6.89 crore (79 *per cent*) with the District Societies.

In the 4 test-checked districts, only East Siang had completed the civil work and in the remaining 3 districts, the works were yet to commence. Thus, there were delays in upgradation of the infrastructure of these medical units which would deprive the beneficiaries of the intended better healthcare benefits.

The Government stated (November 2008) that the civil works are in progress and the concerned executing agencies would be pursued to expedite the execution.

3.1.10.3 Drugs Distribution Centres and Fever Treatment Depots

Under NVBDCP, Drug Distribution Centres (DDCs) and Fever Treatment Depots (FTDs) have to be established in the rural areas for providing easy access to anti-malaria drugs to the community. DDCs and FTDs had not been established in each village identified as high risk areas as prescribed in NRHM norms. Out of 3678 high risk villages in the State, only 268 DDCs and 212 FTDs were established. Thus, there was a huge shortfall in establishment of DDCs (3410) and FTDs (3466) in the high risk areas of the State depriving a large section of the population access to anti-malaria drugs.

SHS admitted (November 2008) the audit finding.

3.1.10.4 Inadequate cold chain system

Cold chain system is essential for preserving the effectiveness of the pulse-polio and other vaccines vials/ampoules. There are 130 medical centres (DHs 14, CHCs 31, and PHCs 85) in the State of which cold chain system facilities are available only in 47 (DHs 14, CHCs 31 and PHCs 2) (36 *per cent*). The absence of the prescribed cold chain facility is bound to have adverse impact on the effectiveness of various vaccines being used under various immunisation programmes.

The Government stated that the cold chain system is required only for PHC and above levels and thus not for SCs. Further, it was also stated that in Arunachal Pradesh there is frequent power failure problem and in remote localities electricity supply is yet to be provided and in absence of uninterrupted power supply, the equipment are not useful. DHS stressed the fact that during the last 25 years there has not been even a single case of polio in the State which underlines the success of the preventive health programmes. The reply is not acceptable in audit as suitable power backups has to be provided wherever there is load shedding problem. Similarly, the fact that the State does not have any reported instance of polio does not mean that the preventive healthcare activities like immunisation should be compromised. Further, the cold chain systems are required to store vaccines other than Oral Polio Vaccine.

3.1.10.5 Blood Storage Facility

After three years of implementation of NRHM, except in Ruskin CHC, no other CHC had blood storage facilities. The blood storage facility in Ruskin CHC is also non-functional since June 2008. In the absence of such a facility, the needy and emergent patients were deprived of the supply of the blood which is crucial for an effective healthcare system.

The Government stated (November 2008) that blood demand of CHC Ruskin is being met by the Pasighat blood bank which is not very far from there. DHS (November 2008) added that more blood bank could not be established as these require license from GOI and the Society had written letters to GOI for licenses but no approval has been received yet.

3.1.11 Manpower management

As per the norms prescribed for hilly states in NRHM guidelines, 6 doctors, 7 staff nurses and 1 Auxiliary Nurse Midwife (ANM) are required in each CHC; 2 doctors and 3 staff nurses are required for each PHC; and 2 ANMs are required in each SC.

3.1.11.1 Medical and paramedical staff

As brought out in paragraph 3.1.10.1, the State has established healthcare centres in excess of the NRHM norms. The position of medical and paramedical staff in the State as of March 2008 is given in table below:

Table: 3.1.5

Category of staff (*R - Regular, C - Casual*)	CHC (31)			PHC (85)			SC (378)			Total Shortage in each category
	Requirement	Personnel in position	Variation	Requirement	Personnel in position	Variation	Requirement	Personnel in position	Variation	
Doctor	186	R - 72	- 114	170	R – 69 C - 57	- 44	-	-	-	158
Staff nurse	217	R - 71	- 146	255	119	- 136	-	-	-	282
ANM	31	R - 84	+ 53	-	-	-	756	R -173 C - 20	- 563	510

Source: Mission Directorate's records

The shortage has been calculated on the basis of the norms prescribed for hilly states in NRHM guidelines. In order to meet the shortage of medical and paramedical staff, the Mission had engaged 57 doctors and 20 ANMs on contractual basis. The deployment of this staff was for a temporary period. Even after taking into account these contractual recruitments, the State still has a shortage of 158 doctors, 282 staff nurses and 510 ANMs.

It was also noticed that out of 378 SCs, 100 were non-functional as there was no ANM in these centres against the requirement of two ANMs per SC. Further, 173 SCs were functioning with a single ANM instead of two. Thus, though the State has more healthcare centres than required under the norms, the ability to provide quality healthcare suffered due to the lack of adequate manpower.

The Government stated (November 2008) that GOI is reluctant to sanction posts because more centres than required were opened in the State. The reply has to be viewed in the light of the fact that the NRHM guidelines provide for recruitment of the additional manpower on contractual basis till posts are sanctioned by the GOI and also, the fact that the State was unable to use the funds provided under NRHM completely every year.

3.1.11.2 Dental Surgeons

Providing dental care at peripheral level is an integral component of the primary health care under NRHM. Scrutiny of the records revealed that only 34 dental surgeons were posted in the entire State. These surgeons were posted only in 12 districts leaving four districts (Kurung Kumey, Upper Subansiri, Upper Dibang Valley & Anjaw) without any dental surgeons. This led to absence of any dental care services in these four districts.

The Nodal Officer pointed out that they did write to GOI for creation of posts but no sanction has been received yet and that the funds shortage also affects their ability adversely. The reply is not acceptable as the NRHM guidelines provide for recruitment of the additional manpower on contractual basis till posts are sanctioned by the GOI, and the State had the required funds to meet the expenditure.

3.1.11.3 Selection and training of ASHA

Under NRHM each village is required to be provided with one trained female community health worker known as Accredited Social Health Activist (ASHA). The ASHAs are fully accountable to the Panchayat Raj Institutions. The ASHAs would not get any salary but are entitled to get performance-based compensation on healthcare activities relating to the pregnant mothers and newborn children. The State was required to complete the selection and their training (module I to IV) by March 2008 and then they were to be supplied with drug kits containing medicines for minor ailments, oral rehydration salts, contraceptives, etc.

As of March 2008, against the total requirement of 3862 ASHAs in the State, 3153 (82 *percent*) were selected. Of these, only 2260 (59 *per cent*) were imparted training on Module I. Further, only 596 ASHAs (19 *per cent*) completed the entire training module. Thus, there was short-selection of 709 ASHAs (18 *per cent*) and short-training of 2557 (81 *per cent*) of the selected ASHAs. Further, only 702 ASHAs (22 *per cent*) were provided with drug kits. Thus, 106 ASHAs were provided with drug kits before completion of full training in contravention of the NRHM guidelines.

The State Institute of Health and Family Welfare is yet to evaluate the training and functioning of ASHAs as required under NRHM guidelines. The guidelines also provide that there should be weekly meeting of ASHAs at SCs and monthly meeting at PHC level. There was, however, no record to show that the weekly meetings of ASHAs at SCs and monthly meeting at PHC level had taken place. Thus, due to these deficiencies the important link between the community and the healthcare facilities as envisaged under NRHM, was only partially achieved.

SHS stated (November 2008) that the issue of ASHA has got politicized which affected the NRHM programme as ASHAs were often removed in the event of change in Government and new ASHAs were appointed. The Society also admitted that the ASHA training was slow and assured improvement in this regard.

3.1.12 Healthcare and family welfare programme

The NRHM provides an overarching umbrella to most of the national programmes of healthcare and family welfare to provide accessible, affordable, accountable, effective and reliable healthcare facilities in the rural areas. Arunachal Pradesh has been declared as the first State in the country to eradicate the polio menace. The targets, achievement and important deficiencies in implementation of this programme are discussed below:

3.1.12.1 Immunisation Programme

To prevent infant mortality, morbidity (death and disease) of children and to provide healthcare to pregnant women, immunization programme comprising vaccine for preventable diseases *viz.*, (i) Diphtheria Pertussis Tetanus (DPT); (ii) Oral Polio Vaccine (OPV); (iii)Tetanus Toxoid (TT); (iv) BCG (v) Measles and (vi) Diptheria Tetanus (DT), was implemented. The following immunisation schedule was prescribed for children up to six years of age and pregnant women to protect them against specific diseases.

Table: 3.1.6: Immunisation schedule

Age	Schedule for immunization
Children of age six weeks or one and a half months	(i) Diphtheria, Whooping cough and Tetanus (DPT) : First dose (ii) Oral Polio Vaccine (OPV): First dose (iii) Tuberculosis (BCG)
Children of age 10 weeks or two and a half months	(i) DPT: Second dose (ii) OPV: Second dose
Children of age 14 weeks or three months	(i) DPT: Third dose (ii) OPV: Third dose
Children of age nine months	Measles
Children of age between 16 and 24 months	(i) DPT: Booster (ii) OPV: Booster
Children of 5 to 6 years of age	Booster dose for Diphtheria and Tetanus (DT) and two doses of typhoid vaccination.
Pregnant women	Tetanus toxiod: Two doses at an interval of eight to twelve weeks, the second dose being given four weeks before expected date of delivery.

The scheme is being funded entirely by the GOI with the objective of 100 *per cent* achievement every year in immunizing infants and pregnant women. The year-wise targets and achievement there against is tabulated below:

Table: 3.1.7: Immunisation of infants and pregnant women

Year	Infants							Pregnant women			
	Target	Achievement (*per cent*)				DT		TT(16)		TT(10)	
		BCG	Measles	DPT	OPV	Target	Ach.	Target	Ach.	Target	Ach.
2005-06	25,950	20,574 (79)	24,406 (94)	15,230 (59)	15,501 (60)	29,351	15,396 (52)	29,594	6,171 (21)	25,713	10,283 (40)
2006-07	26,405	21,429 (81)	19,306 (73)	20,778 (79)	20,887 (79)	30,138	19,993 (66)	30,387	8,247 (27)	26,402	14,604 (55)
2007-08	30,579	16,063 (53)	13,840 (45)	13,193 (43)	13,389 (44)	30,946	5,324 (17)	31,202	4,863 (16)	27,110	5,324 (20)

Source: NRHM Directorate

It may be seen in the above tables that there was a significant shortfall in achievement of targets under all categories during 2005-08. Also, there was considerable decline in achievement during the year 2007-08 when compared to the previous years. Further, there was variation between the targets set for BCG, etc. and DT.

While accepting the audit finding (November 2008) the Department stated that immunisation programme has shown improvement in the current year.

Though the State Government claims that there is no single case of polio in the State, considerable decline in administering OPV during the year 2007-08, a preventive measure to check the spread of disease, has to be viewed seriously, as the risk of occurrence of the disease could not be entirely ruled out due to slackness in implementation of the programme.

3.1.12.2 Janani Suraksha Yojana

Janani Suraksha Yojana (JSY) aims at providing facilities for institutional delivery.

Considering that 100 SCs were non-functional as there was no ANM and in another 173 SCs there was only one ANM against the requirement of two ANMs, it is certain that very few mothers would have availed of the benefit of improved facilities of institutional delivery. Shortage of trained ASHAs also contributed to the lack of awareness among the beneficiaries. Thus, a majority of rural pregnant women were deprived of improved facility of institutional delivery.

The position of institutional deliveries and the number of beneficiaries to whom cash assistance was given during 2005-08 is indicated in the table below:

Table: 3.1.8

Year	Total number of deliveries	Institutional delivery cases *(per cent)*	Cash assistance (in number)		Not paid in *per cent*
			Paid	Not paid	
2005-06	28,643	8,593 *(30)*	794	7,799	91
2006-07	28,077	8,423 *(30)*	1,433	6,990	83
2007-08	29,657	8,897 *(30)*	7,689	1,208	14
Total	**86,377**	**25,913** *(30)*	**9,916**	**15,997**	**62**

Source: Mission Directorate's records

It would be seen above that during the years 2005-08 out of a total 86,377 deliveries the institutional deliveries was only 25,913 (30 *per cent*). However, as per the third National Family Health Survey, the institutional deliveries among the rural population in the State was mere 19 *per cent.* Out of 25,913 institutional deliveries, only 9,916 mothers (38 *per cent*) were paid cash assistance, leaving 15,997 mothers (62 *per cent*) deprived of the scheme benefit. This is indicative of the fact that the beneficiaries were not aware of the cash assistance available to them.

The Nodal Officer, NRHM stated (November 2008) that the benefit could not be extended in the remaining cases due to non-observance of prescribed procedure by them. Accepting the fact, the Mission Directorate assured (November 2008) that efforts would be made to popularise the scheme through Information Education and Communication activities during next year.

Scrutiny of the records of JSY payments in Upper Subansiri District revealed that 44 and 144 beneficiaries were paid cash assistance totalling to Rs. 3.55 lakh (at the rate of Rs 1,300 and Rs. 2,000 during 2006-07 and 2007-08 respectively). Though the payments were recorded and expenditure booked in the accounts, the actual payee receipts (APRs) from the beneficiaries for these payments were not produced to audit for cross-verification. In the absence of the supporting records such as APRs, it could not be ascertained whether these benefits actually reached the stated beneficiaries or not.

The Department accepted the audit finding and assured that the system of documentation would be strengthened further.

3.1.13 National Disease Control Progamme

3.1.13.1 National Vector Borne Disease Control Programme

All the vector borne diseases, *viz*., Malaria, Filaria, Kala-azar, Japanese Encephalities and Dengue were brought under the ambit of National

Vector Borne Disease Control Programme (NVBDCP). When NRHM was launched in April 2005, the NVBDCP was also brought under it. In respect of Arunachal Pradesh, only the activities under 'Malaria' were undertaken as part of implementation of NRHM, since there was no incidence of other vector borne diseases in the State as reported by the programme implementing authority.

Scrutiny of records revealed that none of the three sub-components of NVBDCP i.e. enhanced malaria control project, behaviour changes communication project and intensified malaria control project were implemented in 2005-06. However, from 2006-07 onwards all three sub-components were implemented. Status of provision of funds and utilisation under NVBDCP is given in the table below.

Table: 3.1.9

(Rs. in lakh)

Year	Budget	Expenditure	Savings *(per cent)*
2005-06	74.04	6.46	67.58 (91)
2006-07	271.48	174.21	97.27 (36)
2007-08	405.33	316.32	89.01 (22)

Sources: Annual Accounts of NRHM and Vertical Societies

As could be seen from the above table the utilisation of fund under the programme was dismal during 2005-08 particularly during the year 2005-06 due to non-implementation of the programme.

Malaria situation in the State is given in the table below.

Table: 3.1.10

Year	Blood Slide Examination	Malaria cases	Pf cases	No of deaths as per	
				Web site of NVBDCP	Society records
2005	2,58,994	31,215	7,447	-	10
2006	2,76,074	39,182	12,854	196	195
2007	2,29,749	34,125	7,636	-	36
2008 (as of May 2008)	19,978	2,122	445	-	4 (as of July 2008)

Source: Website of NVBDCP, Directorate General of Health Services, Ministry of Health and Family Welfare, Government of India.

The figures of death due to malaria reflected in the web site of NVBDCP do not tally with the figures provided by the State Society. As such, the credibility of information regarding malaria situation in the State is doubtful.

Substantial number of malaria death cases reported in the State during the years 2006 and 2007 was mainly due to failure of the State in implementation of the programme till 2005-06. The shortfall in establishment of 3410 DDCs and 3466 FTDs in the high risk villages as pointed out in paragraph 3.1.10.3 affected the implementation of NVBDCP adversely.

Department and NVBDCP Society agreed with the audit finding and stated (November 2008) that due to the non-posting of State Programme Officer, the scheme could not be implemented in 2005-06. Since the posting of SPO was within the control of the Department, the reply underlines the failure of the Government in implementation of the programme.

3.1.13.2 Spraying of DDT

As per the guidelines issued by the GOI, the first and second rounds of Indoor Residual Spray (IRS) for Vector control are to be done in April to mid-June and in mid-June to August respectively. Scrutiny of records revealed that there was shortfall in achievement of the target during the last three years as detailed in the following table.

Table: 3.1.11

Year	Period	Target	Actual achievement	Achievement percentage
2005	First round	7,19,678	5,65,493	79
	Second round	6,79,614	5,74,994	85
2006	First Round	7,54,892	5,92,288	78
	Second Round	7,25,518	6,48,795	89
2007	First Round	8,35,931	7,94,279	95
	Second Round	7,71,508	6,93,480	90

Source: NVBDCP Society's data

There has been improvement in coverage of population under both rounds of operation during the last two years. However, non-achievement of the target may render the entire operation an exercise in futility, as there is every possibility of malaria virus carrying insects developing resistance and rendering the use of insecticide in the future useless.

The Department accepted the audit finding and added that the difficult terrain and weather complicated the problem. However, the Department has to make every effort to cover entire population in order to eradicate malaria in the State.

3.1.13.3 Distribution of insecticide treated bed-nets

NVBDCP as well as the NRHM guidelines provide for distribution of insecticide treated bed-nets to all BPL families living in the State.

However, during the years 2005-06 and 2006-07 there was no distribution of insecticide treated bed-nets to the BPL families of the State.

The Department stated that insecticide treated bed-nets were not provided to the targeted beneficiaries due to their non-receipt from the GOI.

3.1.13.4 Excess deployment of manpower

Under NRHM norms for 10.00 lakh population, the manpower requirement is 260 persons (52 squads of an average 5 persons) for Indoor Residual Spraying of DDT and synthetic pyrethrolds. Scrutiny of the records revealed engagement of manpower in excess of the norms. Details of manpower required as per norms vis-à-vis the actual manpower engaged and expenditure incurred on their wages are tabulated below:

Table: 3.1.12

Year	Average Population covered in two rounds (in lakh)	Manpower		Excess deployment *(per cent)*	Wages (Rs in lakh)		
		Actually deployed	As per norms		Actually paid	Payable as per norms	Excess
2005	5.70	351	149	202 (58)	27.30	11.59	15.71
2006	6.21	361	162	199 (55)	30.51	13.69	16.82
2007	7.44	361	193	168 (47)	30.51	16.31	14.20
Total		**1073**	**504**	**569**	**88.32**	**41.59**	**46.73**

Source: Society's data and audit calculation

Thus an excess expenditure of Rs. 46.73 lakh was made on payment of wages to the persons deployed in excess over the norms.

The Society (July 2008) stated that the population norms are not applicable in Arunachal Pradesh. The reply is not acceptable as the audit finding is based on the norms applicable to hilly regions which also include Arunachal Pradesh. The Government stated (November 2008) that the malaria is endemic in 14 out of the 16 districts in the State and the difficult geographical condition necessitates more manpower deployment.

3.1.13.5 National Programme for Control of Blindness

During the years 2005-08, the following were the performance indicators under different aspects of the programme of NPCB.

Table: 3.1.13

Component	Year	Target	Achievement	Percentage of shortfall in achievement
School children screened	2005-06	28,000	11,019	61
	2006-07	28,875	6,600	77
	2007-08	20,000	14,956	25
Detected with refractive errors	2005-06	1,960	1,570	
	2006-07	2,021	1,153	
	2007-08	1,400	894	

Component	Year	Target	Achievement	Percentage of shortfall in achievement
Cases where Spectacles are to be provided	2005-06	600	211	
	2006-07	606	203	
	2007-08	420	295	

Source: NPCB Society's data

It may be seen that there was a significant shortfall in screening the school children under NPCB ranging between 25 and 77 *per cent.* However, the achievement of target has increased considerably during the year 2007-08.

The Society stated (November 2008) that due to the shortage of Ophthalmic Assistants, the target for screening of school children could not be done. The Department should make effort to achieve 100 *per cent* screening of the school children as envisaged under the programme.

3.1.14 Procurement

Scrutiny of the records revealed that the Mission Directorate procured medical equipment without assessing the actual requirement or consulting DHAP of the respective DRCHOs/DHs which led to non-utilisation and non-acceptance of medical equipment as listed below:

- DRCHO, Changlang received 40 medical equipment valued Rs. 39.01 lakh under District Hospital Upgradation Programme. Scrutiny of the supply of equipment data revealed that 13 equipment worth Rs. 2.18 lakh only were required in the DH, Changlang as per their approved DHAP for 2007-08. Further, the procurement has to be viewed in the light of the fact that upgradation of DH, Changlang has not commenced as of March 2008. Thus, equipment costing Rs. 36.83 lakh were needlessly purchased and supplied to DH, Changlang.
- DH, Upper Siang already had one functional X-ray machine but during 2007-08 another machine costing Rs 2.40 lakh was supplied without being requested.
- One dental chair at a cost of Rs. 6.46 lakh was procured for DH, Upper Dibang Valley though DH had no dental service.
- Scrutiny of records in Mission Directorate also revealed that the equipment worth Rs. 12.01 lakh was procured and supplied during 2007-08 to the Lower Dibang Valley DH without assessing their actual requirements as detailed below:

Table: 3.1.14

Particulars of equipment	Quantity procured	Cost (in Rs)	Remarks
Operating microscope(ENT)	1	2,29,000	There is no ENT service in the hospital
Binocular microscope	2	1,22,400	There are already two available in the hospital
Operation Theatre Table (Remote Control)	1	6,50,000	Sophisticated OT table not needed for running minimum aspect of surgical service
Generator for Operation Theatre	1	2,00,000	There is already one standby generator in the hospital
Total		**12,01,400**	

Source: Correspondence file and vouchers

Consequently, the procurement and supply of medical equipment without ascertaining the actual requirements of DHs, led to non-utilization of these equipment worth Rs. 57.70 lakh.

3.1.15 Community participation

The NRHM framework prescribes a multiplicity of committees at various levels to ensure community participation. Community participation was also designed in the Mission as a guarantee for their right to the healthcare. Thus, community participation is to play an important role in achieving the desired objectives of the Mission. However, community participation was not adequate as discussed in the subsequent paragraphs:

3.1.15.1 Village Health Sanitation Committees

As part of the decentralised medical services in every village, Village Health and Sanitation Committees (VHSC) were to be setup with adequate representation from PRIs and the disadvantaged sections of the society like women, scheduled caste, scheduled tribe, minorities and other backward castes. VHSC is to monitor and validate the data collected and sent to the higher authorities by Auxiliary Nurse Midwife (ANM), Anganwadi workers and other functionaries of the public healthcare system. The process of constitution of VHSC was to be completed by March 2008.

Out of the required 3862 VHSC (on the basis of one committee per village), only 2178 Committees (56 *per cent*) were constituted as of March 2008. These VHSCs were, however, not involved in the data validation process as contemplated in the NRHM guidelines.

SHS admitted the audit finding and assured (November 2008) that the VHSC would be used in future for data validation and other activities.

3.1.15.2 Rogi Kalyan Samiti

Rogi Kalyan Samiti (RKS) is a registered society which is supposed to manage the affairs of the hospitals. RKS was to be represented by locally elected representatives, NGOs, and member from the Government health department, who are responsible for proper functioning and management of the hospitals, CHCs, PHCs.

In Arunachal Pradesh, there are 130 medical units where RKS were to be formed, however, only 114 RKS have been formed. Further, the functioning of RKS, where formed, was also not effective as (i) no regular meetings as required under the guidelines were held and (ii) review of the performance of the out patient as well as in-patient departments of the medical units were not done. RKSs were also not maintaining records on the problems being faced by the patients, complaints received by them and action taken thereon, if any.

Admitting the audit finding, SHS stated (November 2008) that due to shortage of Medical Officers they were not in a position to form the required number of RKS. The Society also accepted that the record maintenance by RKS was poor.

3.1.15.3 Public dialogue on health

Under NRHM guidelines, the interested community members should be enabled to get directly involved in exchange of information and to improve the transparency and accountability of the healthcare system. 'Public dialogues' (Jan Sambad) or 'Public hearings' (Jan Sunani) are to be organised at regular intervals at PHC, block and district levels.

However, in the test-checked districts and Mission Directorate, the public dialogues and public hearings on healthcare were never organised. As a result dissemination of healthcare information as well as improvement in the transparency and accountability in the healthcare system suffered.

The Government stated (November 2008) that these exercises were being done quite intensively but in an informal way and thus no records were available and assured that efforts would be made to do it in a formal way.

3.1.15.4 Citizens Charter

One of the objectives of the RKS is to develop a citizen charter for each DH, CHC, and PHC and ensure that it is displayed appropriately outside the health centre so that people are made aware of their health rights and facilities available to them in these medical centres.

However, citizen charters were not displayed in all the medical units of the State. Out of the total 130 medical units, only 3 district hospitals had citizen charters resulting in very limited dissemination of information about the medical facilities available in these medical units and public had not benefited from the healthcare facilities existing due to lack of awareness.

SHS assured adoption of citizen charter in future wherever the RKS were functioning.

3.1.16 Information Education and Communication (IEC)

IEC is a comprehensive strategy under NRHM programme which includes awareness by means of publicity through electronic media, advertisement, etc. As per the NRHM guidelines, the impact of IEC activities among the people should be periodically evaluated.

Scrutiny of records revealed that during the years 2005-08, the Mission spent Rs. 1.30 crore towards IEC activities like printing of calendar, billing, hoarding, wall writing, broadcasting in electronic media, etc. No impact evaluation was, however, carried out by the Mission and an opportunity was missed to take appropriate corrective measures to make the programme more effective.

The Society stated (November 2008) that no evaluation agency had yet been engaged by the NRHM for periodical evaluation to measure the impact of NRHM activities in the State. However, they assured to undertake the evaluation by the end of the current financial year.

3.1.16.1 Public Report on Health

As per the NRHM guidelines, each DRCHO is required to publish a public report annually on health conveying to the readers the healthcare facility information and progress in NRHM activities implemented in the district. No such publication was brought out by any of the districts during the period 2005-08.

The Department admitted (November 2008) the fact and informed that a consolidated Quarterly Report would be printed soon.

3.1.17 Monitoring and evaluation

Successful implementation of the NRHM would greatly depend on proper monitoring and appropriate evaluation.

As per the MOU signed between the GOI and the State for implementation of NRHM, the meeting of the Governing Body (GB) was to be held at least once every six months to monitor and evaluate the affairs of the SHS. As per the records of the Mission Directorate, during the last three years, out of the minimum six meetings to have been held, only two were actually held. Since the GB did not meet periodically as required, it was not able to monitor, evaluate and suggest mid-course corrections, wherever required.

The Mission Director admitted (November 2008) the fact and assured that the GB meeting would be convened regularly during 2008-09.

The scheme guidelines also envisaged monitoring at village, PHC, block and district level by the committees formed at concerned levels, which were also responsible for planning. However, except at the district level, no committees were formed either to monitor or plan the activities under NRHM. At district-level, only one meeting was held during the years 2006-07 and 2007-08.

Further, as required under NRHM guidelines, the standardisation of services, OPD, in-patient, laboratories, surgical intervention and costing had not been done so far in the State. The periodical review of the available services had also not been conducted in the medical centres. Thus, the impact of three years' implementation of NRHM activities in the State remained unassessed.

3.1.18 Conclusion

The overall performance of the Mission was not very satisfactory, as the delivery of rural healthcare services in the State was only partial. The review highlights glaring gaps in planning and programme implementation. The State Mission failed to conduct household / facility survey, which constitutes the most crucial element of the planning process upon which the very basis of the Mission success depends. The credibility and the basis on which the State PIP was formulated is questionable. The major shortcoming experienced by the Mission till date is largely attributable to the manpower shortage and the absence of appropriate functionaries at all tiers of the implementation structure. Inadequate health infrastructure, compounded by the delay in upgradation of the existing health infrastructure adversely affected the delivery of healthcare services among the rural population. Shortfall in selection/training of ASHAs and shortfall/delay in constitution of RKS, contributed to poor awareness among the targeted groups. Monitoring system was inadequate at all levels in the State.

3.1.19 Recommendations

On the basis of the shortcomings and deficiencies observed in the foregoing paragraphs, the following recommendations are made for streamlining and strengthening the system of healthcare service in the State under NRHM:

- Household and facility surveys at village, block and district level need to be conducted at regular intervals and gaps in health care services should be identified and appropriate corrective action taken;

- Involvement of community in planning and monitoring process should be ensured.
- Availability of the required manpower need to be ensured along with the creation, expansion/upgradation of health centres.
- Awareness should be created among the public to ensure accountability at various levels;
- Dissemination of information about the healthcare facilities available for the rural population through IEC activities, Citizen Charters, Health Report, etc., should be improved.
- Monitoring and supervision of the Mission activities should be strengthened by establishing monitoring and planning committees at all levels, as envisaged in the Mission guidelines.

PLANNING DEPARTMENT

3.2 Non-Lapsable Central Pool of Resources (NLCPR)

Highlights

The Non-Lapsable Central Pool of Resources (NLCPR) was established in 1998 by the Government of India (GOI) for speedy development of the infrastructure projects in the Northeastern region.

A review of the NLCPR funded projects in the State revealed that these projects facilitated better connectivity and helped in containment of land erosion. These have also helped in providing clean and potable drinking water to the targeted villages and creating new infrastructure which is playing an important role in spreading education in the State. The projects have also helped in strengthening the healthcare and power transmission/distribution facilities.

However, there were delays in completion of the projects due to poor planning, non-release of funds to the implementing agencies and inadequate monitoring. Consequently, only 38 out of the targeted 55 projects were completed as of March 2008. The highlights of the audit findings are given below:

- **There were delays ranging from 33 to 628 days in the release of funds by the State Government to the executing agencies.**

(Paragraph 3.2.8.4)

- **In 8 projects, the executing agencies diverted Rs. 7.43 crore from NLCPR to other projects.**

(Paragraph 3.2.8.5)

- **Though MoDONER released full funds for 55 projects which were due for completion by 2006-07, only 38 projects (69 *per cent*) were actually completed as of March 2008.**

(Paragraph 3.2.9.2)

- **There was no State level Monitoring Cell/Committee to monitor the implementation of NLCPR funded projects.**

(Paragraph 3.2.10)

3.2.1 Introduction

NLCPR was established by the GOI in 1998 for funding specific infrastructure projects in Northeastern region. The broad objectives of the scheme were as follows:

➢ ensure speedy development of infrastructure in the NER by increasing the flow of budgetary financing with projects in the physical infrasturture sector receiving priority and

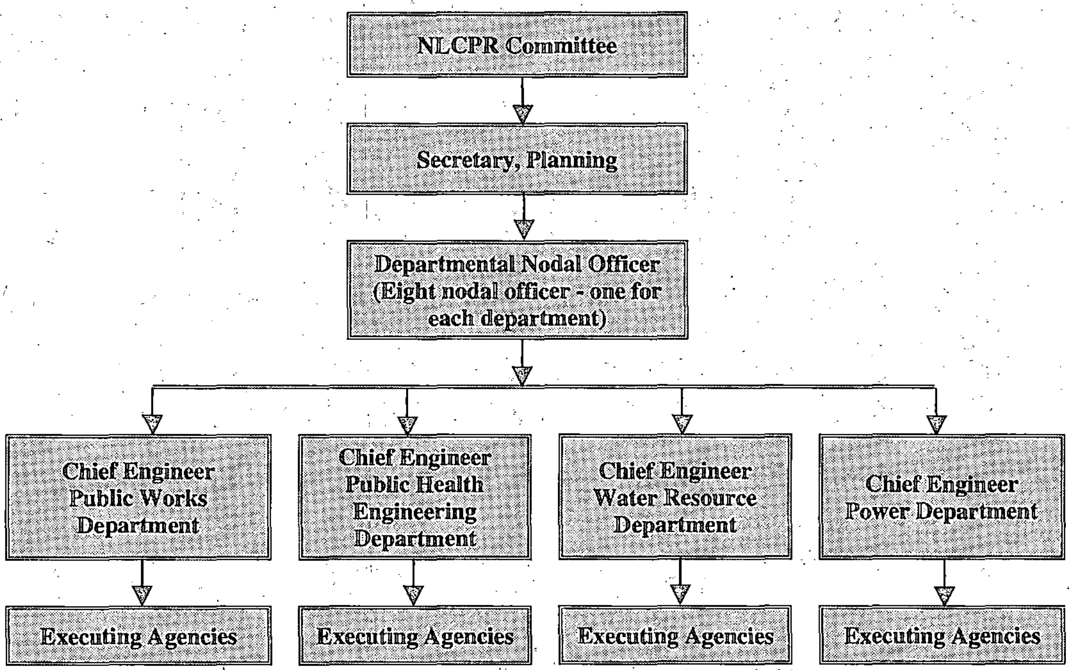
- ➢ create physical and social infrastructure in sectors like irrigation and flood control, power, roads and bridges, education, health, water supply etc.

Since inception of the scheme, the Ministry of Development of Northeastern Region (MoDONER) approved 95 projects of Arunachal Pradesh involving eight[1] Departments at a total cost of Rs. 856.38 crore.

3.2.2 Organizational Setup

NLCPR is administered by MoDONER through the 'NLCPR Committee' which consists of a Chairman (Secretary, MoDONER), five members and one Member Convener. In Arunachal Pradesh, the Planning Department is the Nodal Department which monitors the project/schemes and submits the project proposals, quarterly progress reports (QPRs), utilization certificates (UCs) and field inspection reports (IRs) to the MoDONER. Organisational setup for implementation of the NLCPR financed projects in the State is depicted below:

Chart: 3.2.1



3.2.3 Scope of Audit

Execution of 15 out of the 95 NLCPR funded projects (16 *per cent*) in the State, with an outlay of Rs.174.78 crore (representing over 20 *per cent* of the

[1] Education, Health and Family Welfare, Public Health Engineering and Water Supply, PWD R&B, Water Resources (WR), Power, Tourism, Secretariat & Administration.

total estimated cost of Rs. 856.38 crore) was reviewed during May-June 2008 through a test check of the records of the Director of Schools and Higher Education, Director of Health Services, Director of Tourism, six PWD Divisions (Naharlagun, Pasighat, Sagalee, Tawang, Bomdila, Hayuliang), three PHE Division (Roing, Pasighat and Tawang), two Water Resource Divisions (Ziro and Tezu) and Electrical Division, Pashighat.

3.2.4 Audit Objectives

The objectives of the performance review were to assess whether:

- There was a critical assessment of infrastructural gaps while ensuring that there were no overlaps and whether the individual projects were an outcome of sound planning;
- Adequate funds were released in a timely manner and utilized for the specified purpose in accordance with the scheme guidelines;
- Projects have been executed in an efficient and economic manner and achieved their intended objectives; and
- There is a mechanism for adequate and effective monitoring and evaluation of projects.

3.2.5 Audit Criteria

The following criteria were used to benchmark the audit findings.

- Guidelines of GOI for implementation of NLCPR funded projects.
- Detailed Project Reports.
- Prescribed monitoring mechanism.

3.2.6 Audit Methodology

The performance audit commenced with an entry conference in June 2008 with the Director, Planning and the Departmental Nodal Officers, wherein the objectives, criteria and scope of the audit were explained. Audit findings were discussed with the departmental officers in an exit conference in November 2008 and their replies have been incorporated suitably in the report.

Audit Findings

Important audit findings are discussed in the succeeding paragraphs.

3.2.7. Planning

The State Government through its Nodal Department i.e. Planning Department is required to propose by 31 December an annual shelf/prioritized list of projects to be funded through NLCPR during the following financial year.

This should be in consonance with the overall planning process within the State covering the annual plans and five year plans. Out of this list, the MoDONER retains/approves some of the projects for which Detailed Project Reports (DPRs) are to be prepared by the concerned Department and submitted to the MoDONER within two months through the Nodal Department.

During the years 2003-08, the State forwarded 384 projects to MoDONER for funding. However, there were delays ranging from 2 to 11 months in submission of the priority lists. The year-wise number of project included in the priority list and the number of projects retained/approved along with their estimated cost is tabulated below:

Table: 3.2.1

(Rs. in crore)

Year	No.of projects	Estimated cost	Priority list submission			Projects retained	Estimated cost
			Scheduled	Actual	Delays		
2003-04	120	985.64	Dec-2002	Nov-2003	11 months	14	118.18
2004-05	65	495.98	Dec-2003	Mar-2004	2 months	6	60.13
2005-06	63	959.23	Dec-2004	Apr-2005	3 months	8	197.11
2006-07	83	1349.30	Dec-2005	Nov-2005	-	12	106.57
2007-08	53	734.99	Dec-2006	Jul-2007	6 months	21	255.18
Total	**384**	**4525.14**	-	-	-	**61**	**737.17**

Source: Compiled from the records of Planning Department

Out of 384 projects submitted by the State, 61 projects (16 percent) with an estimated cost of Rs. 737.17 crore were retained by the MoDONER for techno-economic examination. Out of these 61 retained projects, 35 projects with an estimated cost of Rs. 348.91 crore were approved by the MoDONER during 2003-08. Approval in respect of the remaining 26 projects was awaited as of March 2008. The main reason for the delays in approval of the projects or pendency of the retained projects was the non-submission of DPRs by the State within the time-limit prescribed.

Admitting the fact, the Department stated (November 2008) that the reasons for delay in submission of priority list was due to the late receipt of information about the rejected projects of the last priority list from MoDONER, as some of them may have to be included again in the current list. It was further stated that the finalisation of priority list was also delayed due to imposition of the model code of conduct during the Parliament, the State Assembly and the Panchayat elections in the State.

3.2.8 Financial Management

3.2.8.1 Funding pattern

Till 2004-05, the funds released under NLCPR were 90 *per cent* 'grant' and 10 *per cent* 'loan'. From 2005-06 onwards, as per the recommendations of the Twelfth Finance Commission, only 'grant' portion i.e. 90 *per cent* was being released by MoDONER and the State was to provide the remaining 10 *per cent* as its share. Effective from July 2004, 35 *per cent* of the project cost was released as first installment by the GOI, and the release of subsequent installments was subject to the satisfactory physical and financial progress in implementation of the projects.

3.2.8.2 Budgetary allocation and Expenditure

As per the existing practice the fund is first received from MoDONER by the Finance Department (FD) which informs the concerned Departments to initiate proposal for its incorporation in their budget. The budget provision made and expenditure incurred during 2003-08 is indicated in the table below:

Table: 3.2.2

(Rs. in crore)

Year	Budget Provision	Expenditure	Savings (*per cent*)
2003-04	63.87	62.55	1.32 (02)
2004-05	59.99	53.53	6.46 (11)
2005-06	51.29	21.41	29.88 (58)
2006-07	85.27	71.66	13.61 (16)
2007-08	141.63	99.53	42.10 (30)
Total	**402.05**	**308.68**	

Source: Detailed Appropriation Accounts.

As can be seen above, the State has not been able to utilise the budget allocation fully during 2003-08 and there were persistent savings during all these years ranging from two to 58 *per cent.* The shortfall in utilisation of funds was mainly due to the delays in transmission of funds to the executing agencies which adversely affected the execution of the projects.

Admitting the fact, the Department stated (November 2008) that every year they faced problem in utilizing the allocation completely due to the time consuming tendering process, obtaining of environmental clearance from the concerned Ministry and also due to the litigation problem. The reply is not acceptable as the reasons for the delay could have been anticipated and overcome through proper planning.

3.2.8.3 Short release of State share

From 2005-06 onwards, the State was to provide 10 *per cent* of the approved project cost. This funding pattern was applicable to 12 out of the 15 projects selected for detailed examination. GOI has released Rs. 73.50 crore in respect of these 12 projects as of March 2008. However, out of the State's share of Rs. 7.35 crore, only Rs. 2.72 crore (37 *per cent*) was released in respect of 4 projects. In respect of the remaining 8 projects, no fund was provided by the State Government (March 2008).

3.2.8.4 Delays in release of funds

Funds received from GOI are to be transmitted by the State Government to the executing agencies within 30 days, and were to be utilized within nine months from their receipt. Scrutiny of the relevant records in audit revealed that in 11 (73 *per cent*) out of 15 projects, there were delays in transmission of funds to the executing agencies, ranging from 33 to 628 days as can be seen from the following table:

Table: 3.2.3

Name of the Project	Fund released by GOI	Fund released by State to Implementing agency	Time taken (days)	Date of transmission to Executing agency	Time taken (days)	Total time taken (days)	Delay*
Construction of 132 KV S/C Transmission line from Along to Pasighat	18.11.05	29.3.06	132	July 06 to March 08	93	225	195
	31.12.07	4.2.08	33		30	63	33
Improvement of Daimukh - Toru Road	2.3. 06	28.8.06	178	Oct 06 to Feb 08	33	211	181
	28.6.07	20.8.07	52		164	216	186
Construction of road from Sagalee to Sakiang	21.2.06	1.8.06	161	Sept 06 to March 08	30	191	161
	28.6.07	9.8.07	42		203	245	215
Improvement of road from Palizi to Thrizino	28.3.06	1.8.06	125	Oct 06 to March 08	60	185	155
	28.6.07	19.10.07	114		133	247	217
Anti erosion work at Noa-dehing to protect Namsai and Lekang circle	27.7.00	30.11.00	120	March 01	90	210	180
	31.7.01	21.12.01	143	March 02	70	213	183
	31.3.02	5.9.02	158	March 03	177	335	305
	30.1.03	6.6.03 31.3.04	126 to 393	March 04	268	394	364
Anti-erosion work of Kley river under Lower Subansiri District	26.9.02	14.7.03	279	Aug 03 to Dec 06	17	296	266
	15.7.04	5.12.04	142		155	297	267
	29.3.06	28.6.06	91		155	246	216
Improvement of water supply at Roing Township	10.9.02	10.12.02	90	Dec 02 to March 05	9	99	69
	5.2. 04	6.7.04	151		237	388	358
Construction of 200 seated girl hostel, auditorium lab etc. in J.N. College Pasighat	7.11.05	14.9.06	308	Sep 06 to March 08	-	308	278
	17.7.07	27.3.08	100		-	100	70
Vivekananda Kendra Vidyalay, Kitpi in Tawang District	26.9.06	6.9.07	355	Oct 07 to March 08	30	385	355

Name of the Project	Fund released by GOI	Fund released by State to Implementing agency	Time taken (days)	Date of transmission to Executing agency	Time taken (days)	Total time taken (days)	Delay*
Infrastructure strengthening of secondary healthcare facilities at General Hospital Naharlaguan	26.3.07	17.9.07	174	Dec 07 to March 08	74	248	218
	17.3.08	Not released till Aug 08			-	-	-
Construction of rope way from Tawang Monastery to Anigompa	9.6.06	16.8.07	431	Aug 07 to March 08	227	658	628

* *Delay computed in excess of 30 days allowed for transmission of funds to executing agencies as per guidelines.*

The Department accepted the audit finding and stated (November 2008) that the delays were inevitable due to the lengthy procedure adopted by the State Government in fund transmission. The reply highlights the need to streamline and simplify the existing procedure to curtail delays in transmission of funds to the executing agencies so as to complete the projects within the specified timeframe.

3.2.8.5 Diversion of funds

MoDONER while according administrative approval for the projects prohibits any kind of diversion from the project allocation. Scrutiny of records revealed that in 8 test-checked projects with total expenditure of Rs. 65.22 crore, the executing agencies diverted Rs. 7.43 crore (11 *per cent*) to other works in contravention of the conditions of sanctions as indicated in the table below:

Table: 3.2.4

Project	Executing Agency	Expenditure as of March 2008	Amount Diverted	Diverted to
Road from NH-52 (A) Nirjuli to Sagalee. Sh. Improvement of Doimukh Town Road	EE PWD Sagalee	11.90	1.35	Restoration of Doimukh Town Road
Improvement/Cont. of road from Sagalee to Saking (50 km.)	EE PWD Sagalee	23.82	4.59	Improvement of various roads and infrastructure development of Divisional Building and maintenance of assets.
Improvement of road from Palizi to Trizino (17 km) in West Kameng district	EE PWD, Bomdila	4.57	0.62	Improvement of Dirang-Tawang road & repair renovation of Chief Engineer office (WZ) chamber.
132 KV SC Transmission line from Along to Pasighat.	EE Electricity Division, Pasighat	9.26	0.08	For renovation of 33 KV line from Liromoba toTai.
Anti erosion work on Kley river under Lower Subansiri district	EE WRD Ziro	7.27	0.10	Minor irrigation and flood control works.

Potable drinking water supply scheme for the villages of Sillè, Rani, Sika Tode & oyam at Sille	EE PHED Pasighat	4.91	0.50	Water supply scheme under ARWSP
Vivekananda Kendra Vidyalaya Kitpi in Tawang District.	EE PWD, Tawang	1.64	0.09	Construction of old building and construction of museum, Library at Tawang Monastery
Opening of Ramakrishna Sarada Mission School for Girls at Khaso (Dirang)	EE PWD, Bomdila	1.85	0.10	Construction of road from stadium to Zemithan and renewal of road surface from Dirang to Tawang.
Total		**65.22**	**7.43**	

Diversion of funds from NLCPR projects to other works could have hampered the physical progress of these projects due to the shortage of funds. As such, the expenditure stated to have been incurred in the utilisation certificates (UCs) stands inflated to that extent.

The Department agreed with the audit finding and assured that the funds diverted would be recouped very shortly.

3.2.8.6 Submission of utilization certificates

According to the NLCPR guidelines, UCs along with the physical and financial progress of the project is required to be submitted quarterly to the MoDONER for subsequent release of funds. Scrutiny of records revealed that in the 95 approved projects, the State Government had incurred an expenditure of Rs. 447.32 crore till March 2008. However, UCs for Rs. 166.99 crore were outstanding.

The Department stated (November 2008) that due to non-utilization of complete funds, UCs could not be submitted. The contention of the Department is not acceptable as the submission of UCs does not depend upon the complete utilisation of funds as UCs is required to be submitted quarterly for the amount utilised for the purpose it was given.

3.2.8.7 Short-release/parking of funds

For 'Construction of 132 KV S/C Transmission line from Along-Pasighat' project, the State released Rs. 10.80 crore during March 2006 to February 2008, to the implementing agency (Chief Engineer, Power) who in turn released only Rs. 9.49 crore to the executing agency (Power Division) till March 2008. Thus, there was short release of Rs. 1.31 crore (Rs. 10.80 crore – Rs. 9.49 crore) by the implementing agency. The parking of funds by the implementing agency resulted in short-availability of funds to the executing agency which could affect the progress of the project.

The Department stated (November 2008) that the amount was retained for execution of some petty works related to the project. The reply of the

Department is not acceptable as CE, Power could not utilize the funds without passing it to the executing agency.

Scrutiny of the records of the project 'Opening of Ramakrishna Sarada Mission Schools for Girls at Khaso' revealed that PWD, Tawang withdrew Rs. 51.67 lakh in (March 2008) and kept the amount under Deposit Part-V. Further, the amount has been booked as expenditure in the accounts which led to inflation of the financial progress of the project.

Similarly, the scrutiny of the records pertaining to 'Construction of Ropeway from Tawang Monastery to Ani Gompa' project revealed that PWD, Tawang kept Rs.12.09 lakh (March 2008) in Deposit Part-V and then showed the amount as expended by March 2008 in the quarterly progress report.

The Department stated (November 2008) that the parking of fund was done in the interest of project work and the payment would be made only after the work is completed by the contractor. The reply of the Department is not tenable since as per the general principles of financial management, the funds should not be drawn when it is not required immediately.

3.2.9 Project Execution

The major findings on the project execution are discussed in the succeeding paragraphs.

3.2.9.1 Physical and financial achievement

The physical and financial performance of NLCPR funded projects in the State as of March 2008 is given in the table below:

Table: 3.2.5

Year	No. of projects approved	Approved cost	Funds released	Funds utilised	Projects completed
			(as of March 2008)		
Up to 2002-03	50	356.09	329.63	307.28	38
2003-04	2	5.70	5.26	5.30	-
2004-05	-	-	-	-	-
2005-06	22	247.45	115.99	90.04	-
2006-07	8	87.84	28.40	16.74	-
2007-08	13	159.30	49.73	27.96	-
Total	**95**	**856.38**	**529.01**	**447.32**	**38**

Source: Departmental records

Out of the 95 approved projects under implementation, MoDONER released full funds for 55 projects that were due for completion by 2006-07. However, only 38 of these projects (69 *per cent*) were completed as of March 2008.

Delay in completion of projects was mainly due to the delay of the State Government in submission of UCs and progress reports, which are mandatory for release of subsequent instalment of funds by GOI. The delays were also due to delay in transmission of funds to the executing agencies as brought out in paragraph 3.2.8.4.

While admitting the audit finding, the Department reiterated (November 2008) that the delays were inevitable due to the lengthy procedure adopted by the State Government in funds transmission, and also due to the time consuming process of tendering, obtaining of environmental clearance from the concerned Ministry, litigation problem, etc. The reply is not acceptable as the reasons cited are either within the control of the State or could have been overcome through adequate planning.

3.2.9.2 Sector wise performance of projects

Sector wise performance of NLCPR funded projects in the State as of March 2008 is given in the table below:

Table: 3.2.6

Sector	No. of projects approved	Approved cost	Fund released	Fund utilized (*per cent*)	Projects due for completion	Projects completed (*per cent*)
		(Rs in crore)				
Roads and Bridges	27	324.27	133.03	101.92 *(77)*	5	4 *(80)*
Water Supply	11	92.44	63.06	70.85 *(100)*	8	6 *(75)*
Irrigation and flood control	16	67.91	67.53	65.93 *(98)*	16	16 *(100)*
Power	14	157.25	135.01	124.47 *(92)*	12	4 *(33)*
Education	20	154.25	111.17	78.01 *(70)*	12	7 *(58)*
Health	4	14.03	11.91	5.10 *(43)*	2	1 *(50)*
Tourism	2	7.31	2.30	1.04 *(45)*	0	-
Legislative Assembly	1	38.92	5.00	- *(Nil)*	0	-
Total	**95**	**856.38**	**529.01**	**447.32**	**55**	**38**

Source: Departmental records

As can be seen above, out of 55 projects due for completion by March 2008, only 38 projects were completed. While the projects relating to irrigation and flood control were completed on time and within the approved cost, the pace of progress in execution of water supply schemes and projects in the power sector was slow.

3.2.9.3 Status of test-checked projects

Of the 15 projects selected for detailed examination, while 4 were due for completion by March 2008, only 2 were completed. The position relating to the funds released, expended and progress achieved in the execution of these 15 projects is given in the following table.

Table: 3.2.7

Name of the Project	Date of approval	Approved cost	Funds released	Funds utilised	Due date of completion	Status (percentage of physical progress)
		(Rs. in crore)				
1. Construction of Motorable suspension bridge over river Lohit to connect Manchal Administrative Circle.	December 2005	13.10	4.54	2.79	March 2008	21%
2. Road from lNH 52(A) Nirjuli to Sagalee SH:Improvement of Daimukh Toru Road (40Km)	December 2005	20.48	14.96	11.90	December 2008	33%
3. Imp/Constn. of road from Sagalee to Sakiang (50 KM)	February 2006	39.94	26.69	23.82	February 2009	55%
4. Imp. of road from Palizi to Thrizino (17 KM) in West Kameng Distt.	February 2006	7.44	5.015	4.57	February 2009	61%
5. Anti Erosion Work on Noa Dehing River to protect Namsai and Lekhang circle.	July 2000	6.87	14.14	6.87	March 2001	Completed in Mar-04
6. Anti Erosion works on Kley river under Lower Subansiri District.	September 2002	7.31	6.39	7.27	September 2004	Completed in Mar-04
7. Potable drinking water supply scheme for the villages Sille, Rani, Sika Tode, Oyan at Sille	December 2006	17.42	3.94	4.92	December 2009	24%
8. Water supply at Lumla Township.	May 2006	4.88	4.36	3.57	May 2009	60%
9. Improvement of water supply at Roing Township.	March 2001	4.05	5.85	4.05	March 2004	90%
10. Vivekananda Kendra Vidyalaya at Kitpi	September 2006	5.21	3.84	1.64	September 2008	30%
11. Opening of Ramakrishna Sarada Mission Schools for Girls.	December 2007	5.88	5.56	1.85	December 2009	32%
12. C/o 200 seated Girls Hostel, Auditorium, Laboratory, Securing fencing etc in J.N. College Pasighat.	October 2005	5.15	11.88	3.20	March 2009	60%
13. C/o 132 KV S/C Transmission line from Along to Pasighat (Power).	August 2005	29.02	1.64	9.26	August 2008	23%
14. Infrastructure Strengthening of Secondary Health Care facilities at General Hospital Naharlagun.	March 2007	4.72	1.14	1.49	March 2008	35%
15. C/o Ropeway from Tawang Monastery to Ani Gompha	May 2006	3.31	4.54	1.49	November 2007	35%

Source: Departmental records

3.2.9.4 Planning and Detailed Project Reports (DPRs)

Scrutiny of the 15 projects selected for detailed examination revealed deviations from the approved DPRs, due to inadequate attention at the planning and preparation stage of detailed project reports.

(a) *Construction of Motorable suspension bridge over river Lohit to connect Manchal Administrative Circle*

No detailed survey was conducted by PWD before forwarding the DPR of the project. This caused change in the specifications of the bridge from steel suspension bridge to steel arch bridge due to the presence of rock strata in the left bank. Also, there were some deviations in the construction of approach road. As a result, the actual expenditure on the construction of approach road exceeded the approved amount by Rs.26.29 lakh. Further, no post-facto approval was obtained for the change in the specifications, from the funding authority.

The Department accepted the audit observation and stated (November 2008) that the change in design was unavoidable to suit the typical topography of the site. It was also admitted that the planning for the project was not adequate as it was done hurriedly.

(b) *Infrastructure Strengthening of Secondary Healthcare Facilities at General Hospital, Naharlagun*

The original sanctioned estimate of the project had no provision for dismantling of any old structure. Scrutiny of the records, however, revealed that the PWD spent Rs.8.42 lakh on dismantling the old structure, which was beyond the scope of the approved work.

Admitting the fact, the Department stated (November 2008) that the dismantling work relating to the project was not incorporated in the DPR as it was prepared hurriedly without carrying out a survey.

(c) *Improvement of water supply at Roing Township*

Technical sanction amounts to a guarantee that the proposal is technically sound; and no work should be commenced without the technical sanction (Para 2.5 of Central Public Works Department Manual). The project "Improvement of water supply at Roing Township" was administratively approved (March 2001) by the MoDONER at a cost of Rs. 4.05 crore. No DPR was made available to audit for scrutiny. Scrutiny of other records revealed that PHED without obtaining the technical sanction awarded the work (February 2003) to a local firm for Rs. 2.45 crore against an estimated cost of Rs.1.86 crore. The scope of the work included (a) survey design and construction of head-work (b) sedimentation tank (c) Aerator (d) flash mixture (e) clariflocculator (f) filter house (g) clear water reservoir (h) chemical house (i) overhead storage tank (j) wire rope suspension bridge (k) laying of ductile iron pipes, etc. The firm commenced the work in March 2003. Except survey design and construction of head-work including bank protection, required river taining works, etc. and erection of wire rope suspension bridge remaining works were completed before July 2004. Due to a flood on 11 July 2004, the width of the river where the head-work was proposed widened from 60 to 180 meters, and thus the site became unsuitable for the construction of head-work. In March 2006 PHED rescinded the contract and paid Rs. 1.87 crore to the firm for the value of work done including cost of components of wire rope suspension bridge which are now lying unutilized in the site (August 2008). To complete the remaining work, PHED identified a separate source and submitted fresh DPR to the Government for Rs. 19.17 crore which was forwarded to the MoDONER in January 2007. Approval of the MoDONER for the same is still awaited (August 2008).

As per the normal practice, the competent technical authority would have to carry out survey, soil testing, collect data on ferocity and history of the river/stream, design and size of the bridge, etc. before according the technical sanction. Thus, due to commencement of work without obtaining the required technical sanction based on proper assessment of requirement, the project had to be abandoned in the middle. Further, it is not clear whether the assets created as on date would be utilized in the future project.

3.2.9.5 Tendering procedures

Scrutiny of records of 15 projects selected for detailed examination revealed that the implementing departments had followed the codal formalities relating to tendering for execution of the project work through contractors in respect of all the projects. However, in case of 4 projects (27 percent) the time taken to process and complete the tendering formalities ranged between 6 to 13 months against the normal time of 4 months. The delay in finalisation of tender is likely to result in time overrun. Further, the probability of cost overrun due to time overrun can also not be ruled out.

3.2.9.6 Irregular expenditure

According to the NLCPR guidelines, no staff component either work-charged or regular shall be created by the project implementing authority from the NLCPR funds. All such requirements should be met by the State through redeployment of the existing manpower.

Scrutiny of 15 projects revealed that in 13 projects (87 percent) involving an expenditure of Rs.72.74 crore, the State incurred an irregular expenditure of Rs.2.34 crore (3 percent) on wages to work-charged staff, purchase of vehicles, computers accessories etc. in violation of the NLCPR guidelines as tabulated below:

Table: 3.2.8

(Rs. in crore)

Sl. No.	Project name	Expenditure incurred	Irregular expenditure	On account of
1.	Construction of Motorable suspension bridge over river Lohit to connect MAC	2.79	0.14	Wages to work charged staff
2.	Construction of road from Sagalee to Sakiang (50 Km)	23.82	0.70	Purchase of vehicles and excavators, computer spare parts and other miscellaneous items
3.	Construction of road from Palizi to Thrizino (17 Km) in West Kameng Dist.	4.57	0.32	Wages to work charged staff
4.	Anti Erosion work on Noa Dehing River to protect Namsai and Lekhang circle	6.87	0.35	Wages to work charged staff
5.	Anti Erosion works on Kley river in Lower Sub. District.	7.27	0.09	Purchase of vehicle and slab making machine
6.	Potable drinking water supply scheme for the villages Sille, Rani, Sika Tode, Oyan at Sille	4.92	0.04	Wages to work charged staff
7.	Water supply at Lumia Township	3.57	0.04	Wages to work charged staff
8.	Vivekananda Kendra Vidyalaya at Kitpi	1.64	0.02	Wages to work charged staff
9.	Opening of RK Sarada Mission Schools for Girls	1.85	0.03	Purchase of fuels and repair of vehicles
10.	Construction of 200 seated Girls Hostel, Auditorium, Laboratory, Security Fencing etc. in J.N. College Pasighat	3.20	0.43	Wages to work charged staff
11.	Construction of 132 KV S/C Along-Pasighat Transmission line	9.26	0.11	Purchase of vehicle and computer accessories
12.	Infrastructure strengthening of secondary facilities at General Hospital, Naharlagun	1.49	0.06	Wages to work charged staff
13.	Construction of Rope-Way from Tawang Monastery to Ani Gompha	1.49	0.01	Wages to work charged staff
	Total	**72.74**	**2.34**	

Such deviation of funds cause paucity of funds for the approved items and may impact on the progress of work and timely completion of the project.

The Government stated (November 2008) that the expenditure was incurred on the work-charged staff, who were actually engaged in the project works and that the purchase of vehicles and computer accessories including other misc. items were also procured for the project works. The reply is not acceptable as the expenditure was incurred in violation of the guidelines of NLCPR and no special dispensation to incur such expenditure was sought from the funding authority.

3.2.10 Monitoring and evaluation

The Chief Secretary of the State is required to hold quarterly meetings to review the progress of implementation of the ongoing NLCPR funded projects. However, only one such meeting (May 2006) was held during 2003-08.

The Director, Planning stated (May 2008) that no Monitoring Cell/Committee has been formed to monitor the implementation and progress of NLCPR projects and that the projects were monitored by organizing review meetings with the concerned implementing departments as and when it was felt necessary. However, no records were made available in support of the reply.

Further, the NLCPR guidelines envisage six-monthly reviews by an independent supervision mission from MoDONER for taking mid-course corrective action where required. As per the records made available to audit, only one review meeting (June 2004) and three video conferences (June 2006, April 2007 and June 2007) were held till March 2008.

In the absence of periodic review meetings, the monitoring and implementation of the programme was adversely affected. Admitting the facts, the Director, Planning stated (November 2008) that all possible efforts would be made to strengthen the monitoring at regular intervals.

3.2.11 Conclusion

The advantages of targeted funding by the GOI for the development of infrastructure in the State were only partially attained. Unless the projects are completed within the stipulated timeframe, the envisaged benefits from these would not be available to the targeted population. As of March 2008, 55 projects were due for completion, of which only 38 projects were completed. There were also delays in completed projects. The major hurdles in the timely completion of the projects were lack of adequate planning, delays in transmission of funds though the chain to the executing agencies and non-release of the State share on time and delays in transmission of funds caused not only time overrun but also cost overrun. There were instances of diversion of funds by the executing agencies to other works not related to the NLCPR projects and also irregular expenditure on unapproved items in violation of laid down guidelines. These problems could have been addressed suitably had there been an effective supervision and monitoring mechanism in the State.

3.2.12 Recommendations

- Government needs to streamline and simplify the existing procedures to ensure speedy transmission of funds to the executing agencies.
- Implementing Departments should scrutinize the physical and financial progress of the projects and ensure that funds are utilised for the intended purpose in accordance with the laid down guidelines and take appropriate timely and effective intervention to achieve the objectives of the project.
- Planning process should be strengthened and accountability should be enforced for any arbitrary and unexplained deviations.
- Monitoring and supervision of the projects should be strengthened at all levels to ensure that the projects are cruising in the planned direction at the desired speed.

CHAPTER – IV

AUDIT OF TRANSACTIONS (CIVIL DEPARTMENTS)

CHAPTER– IV

AUDIT OF TRANSACTIONS

Fraud / Misappropriation / Embezzlement

PUBLIC WORKS DEPARTMENT

4.1 Short delivery of bitumen

Act of omission and commission of the Executive Engineer, Public Works Division, Roing resulted in short delivery of bitumen valued at Rs.48.15 lakh.

The Chief Engineer (East Zone), Public Works Department (PWD) placed (March 2004) an order on the Indian Oil Corporation Limited (IOC), Guwahati for the supply of 1000 tonne of bitumen (80/100 grade) valued at Rs. 1.60 crore (Rs. 15,428.00 per tonne plus four *per cent* Central Sales Tax) against full advance payment. The material was required for two works, *viz* (i) improvement of Damburk-Paglam Road (700 tonne) and (ii) improvement of Roing–Shantipur Road (300 tonne) under the Centrally Sponsored Schemes 'Inter- State Connectivity' and 'Central Road Fund' respectively.

Scrutiny (December 2007) of records of the Executive Engineer (EE), Roing Division revealed that the Superintending Engineer, Tezu Circle, approved (October 2004) seven work orders for carriage of bitumen from Guwahati to Dhola store (including unloading and stacking) to two carriage contractors (i) M/s Hornbill Traders, Naharlagun, (five work orders for 150 tonne each and one work order for 100 tonne) and (ii) M/s Pulu Electric (one work order for 150 tonne). According to the terms and conditions of the work orders, the delivery of bitumen was to be completed within 15 days of receipt of authority letter from the Division.

The Division issued, between July and September 2004, four authority letters to IOC authorising release of 1000 tonne of bitumen (850 tonne to M/s Hornbill Traders and 150 tonne to M/s Pulu Electric Roing). Owing to price escalation, the IOC reduced the quantity of bitumen from 1000 tonne to 997.90 tonne, of which 941 tonne was lifted by the carriage contractors. Between July and September 2004, M/s Hornbill Traders lifted 789.634 tonne of bitumen. However, only 489.559 tonne of bitumen was delivered by the firm and the balance quantity of 300.075 tonnes valued at Rs. 48.15 lakh remained undelivered as of June 2008. M/s Pulu Electric Roing lifted 151.366 tonne of bitumen and delivered the entire quantity.

Further, although the Chief Engineer (East Zone) had instructed (May 2005) the Division to obtain bank guarantee for 150 tonne of bitumen from the carriage contractors, the Division obtained bank guarantee only for 21.81 tonne valuing Rs. 3.50 lakh from M/s Hornbill Traders, which also expired in September 2004 and was not revalidated. Moreover, the Department did not enter into any formal agreement with the carriage contractors for the transportation of bitumen. In spite of instructions by the Government (January 2006), no civil suit had been filed by the Department in the court of law for the recovery of 300.075 tonne of bitumen valued at Rs. 48.15 lakh.

Thus, due to the failure of the EE in protecting the interest of the Department by obtaining bank guarantee for the required amount, the Government had to suffer a loss of Rs. 48.15 lakh. The acts of omission and commission of the EE point towards his collusion with the carriage contractor.

The matter was reported to the Government (June 2008); reply had not been received (November 2008).

Excess Payment / Wasteful Expenditure

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

4.2 Wasteful expenditure

Wasteful expenditure of Rs.9.75 lakh was incurred due to taking up construction work on a plot of land which was not allotted to the Department.

'Provision of shelter houses for looking after the animals' is a Centrally Sponsored Scheme. As per the guidelines, the maximum entitlement for construction of a shelter house was Rs. 25 lakh, of which 90 *per cent* was to be borne by the GOI and the remaining 10 *per cent* by the State Government. A proposal for setting up two shelter houses at Nirjuli and Pasighat costing Rs. 50 lakh was submitted (February 2002) by the State Government to the GOI. While submitting the proposal, it was stated that the required land was registered in the name of the Government of Arunachal Pradesh.

The Union Ministry of Environment and Forest (Animal Welfare Division), sanctioned (March 2003) Rs. 20 lakh as first installment for setting up two shelter houses at Rs. 10 lakh each.

Scrutiny (March 2007) of records of the Director, Animal Husbandry and Veterinary, and further information obtained from the Department (April 2008) revealed that the construction work at Pasighat was completed (February 2007) at a cost of Rs.10.87 lakh and the shelter house was put to use for the intended purpose. In the case of the shelter house at Nirjuli, however, the EE, Naharlagun PWD Division incurred an expenditure of Rs.9.75 lakh for casting 21 pillars by September 2005 on a land, which was yet to be allotted to the Department by the Land Management Authority. Consequently, these pillars were demolished by the claimant of the land. While the matter was brought to the notice of the District Administration, immediately the claimant of the land, filed a case with the High Court.

Thus, construction of shelter house structures on a plot of land which was not allotted to the Department, led to a wasteful expenditure of Rs.9.75 lakh.

The matter was reported to the Government (June 2008); reply had not been received (November 2008).

ENVIRONMENT AND FOREST DEPARTMENT

4.3 Wasteful Expenditure

Due to failure of the Division to carry out tending operation on plantation area, an expenditure of Rs. 24.63 lakh was rendered wasteful.

The State Government accorded (March 2006) administrative approval and expenditure sanction for forest regeneration over 331 hectare of land at Epipani Buka Nallah (224 hectare) and Balijan (107 hectare) at an estimated cost of Rs. 31.84 lakh (creation[1] Rs. 20.25 lakh and fencing Rs. 11.59 lakh). The expenditure was sanctioned as per the norms fixed by the State Forest Department, which included four rounds of weeding in the second year of operation.

Scrutiny of the records (September 2007) of the Dibang Forest Division revealed that the plantation was done in March 2006 and 3.68 lakh of Sisso, Simul and Gomani species (Balijan 1.19 lakh and Epipani Buka Nallah 2.49 lakh) were planted by incurring an expenditure of Rs. 15.35 lakh (Balijan Rs.4.41 lakh and Epipani Buka Nallah Rs. 10.94 lakh). An amount of Rs. 11.71 lakh was spent on fencing (Balijan Rs.4.12 lakh and Buka Nallah Rs. 7.59 lakh). Apart from these, Rs.0.62 lakh was spent on survey and demarcation and Rs. 9.28 lakh (Balijan Rs. 3.17 lakh and Buka Nallah Rs. 6.11 lakh) on creation of nursery during 2004-05 and 2005-06.

No funds were released for tending operations. Consequently first and second weeding operations were not carried out. The Divisional Forest Officer (DFO) informed (September 2006) the Conservator of Forest (CF), Eastern Circle, Tezu that second weeding as per norms was also overdue and the saplings of the entire plantation area were suppressed by the overgrown weeds resulting in heavy mortality. Subsequently, the Range Forest Officer, Roing reported

1 ***Creation include :*** *Clearance of brushwood and staking of debris preparation of stakes, digging of pits, making and maintenance of inspection path, transport of seedings to the site of plantation, planting of seedlings, four rounds of weeding and fire line cutting along the periphery.*

(November 2006) to the DFO that the plantation had already failed and as such, the funds for maintenance of plantation done during 2005-06 could not be asked for. On the request of the DFO (December 2006) the CF constituted a board to assess the survival percentage of plantation.

CF, Eastern Circle, Tezu inspected the plantation of both the places between 29 March and 02 April 2007 and observed that the survival of plantation at Balijan was between 5 and 15 *per cent* and survival at Epipani Buka Nallah was a mere 5 *per cent*.

Thus, due to non-release of funds to carry out the tending operation in the second year, there was a heavy casualty of the plantation and the expenditure of Rs. 24.63 lakh incurred on forest regeneration at Balijan and Buka Nallah was rendered wasteful. Besides, the expenditure of Rs. 12.33 lakh incurred on survey and demarcation and fencing was also rendered unfruitful.

The matter was reported to the Government in June 2008; reply had not been received (November 2008).

HEALTH AND FAMILY WELFARE

4.4 Extra expenditure on procurement of medical equipment

Procurement of medical equipment from local dealers at higher rates than the rates available after inviting tender resulted in an extra expenditure of Rs. 11.65 lakh

Pursuant to the recommendations of the Board of specialists/experts, the Health and Family Welfare Department issued a (March 2004) limited tender from manufacturing firms/authorised dealer(s) for purchase of medical and surgical equipment for use by the Government Hospital in the State and in response, eight tenders were received. A Committee constituted (March 2004) for finalisation of rates of medical equipment, gave detailed specification for each item and recommended the supply order to be placed with the firms which quoted the lowest rate. The Finance Department, suggested (May 2004) the procurement of the equipment directly from the manufacturer/company as per the recommendation of the Board of experts and take delivery of equipment from their authorized dealer(s) subject to the conditions that the manufacturers/company would be liable to provide after sale service and fulfil other conditions of supply.

Scrutiny (May 2006) of the records of the Director of Health Services, Naharlagun revealed that the Department procured (March 2005) Electro Cautery Machine (qty - one), ZEISS OPMI PICO surgical microscope (qty - one) and Semi-automated Biochemistry Analyzer (qty - eight) for General Hospital at Naharlagun and seven District Hospitals from three dealers, other than those recommended by the Committee, at a cost of Rs. 26.21 lakh.

The rates at which the procurement was made were higher than the rates obtained after inviting tenders and subsequently recommended by the Committee in March 2004 as detailed in the following table:

Table: 4.1

(Amount in Rupees)

Name of the equipment	Quantity Procured	Rate at which procured	Rate obtained through bidding	Difference	Excess Amount
Electro Cautery Machine (Mfgr.:M/s Johnson & Johnson)	1	3,22,400	1,45,000	1,77,400	1,77,400
ZEISS OPMI PICO Surgical Microscope (Mfgr. : M/s Carl Zeiss, Germany)	1	5,51,200	2,15,000	3,36,200	3,36,200
Semi- automated Bio-chemistry Analyser (Mfgr.: M/s Rapid Diagonstic, Delhi)	8	2,18,400	1,37,000	81,400	6,51,200
Total					**11,64,800**

Thus, by procuring the equipment from dealers other than those who quoted the lowest rates and were recommended by the purchase committee, the Department incurred an extra expenditure of Rs. 11.65 lakh.

The matter was reported to the Government in October 2006; reply has not been received (November 2008).

POWER DEPARTMENT

4.5 Extra expenditure on procurement of ACSR conductors

The department procured ACSR conductors, which were not immediately required, at higher price without waiting for the finalisation of tendering procedure which was underway. As a result the Department incurred an extra expenditure of Rs. 17.77 lakh on the procurement of conductors, when compared with the contracted rate

Scrutiny of the records of Power Department, Pasighat, pertaining to '132 KV S/C Transmission line from Along to Pasighat' project, it was seen that a supply order for 33 km ACSR conductors (186 KM ACSR conductor of size 30/7/3.00-Panther) was placed (March 2008) on the lowest tenderer at the rate of Rs. 2,49,968.00 per KM, based on the rates obtained though tendering process initiated in February 2007. Though the Department took a full year to finalise the tender and place order, the lowest tenderer still agreed to supply the conductors at the rate quoted by him. While on the one hand the Department took the abnormal time to finalize the tender, on the other hand it procured 59.2 KM ACSR conductors during February 2007 to March 2007 from two local firms at the rate of Rs.2,79,990.00 per km. It is further underlined here that all these conductors procured without waiting for the finalization of the ongoing tendering process, are still lying unutilized in the stock yard (May 2008). The reasons for hurrying up of the procurement of ACSR conductors without waiting for the finalization of tendering process, was not on records. When compared to the contracted rate, the Department incurred an extra expenditure of Rs. 17.77 lakh on these procurements.

The Department stated (November 2008) that due to the delay of finalization of tendering process and trend in price rise of ACSR conductors, the Department went ahead with the procurement. The reply is an unsatisfactory explanation given by the department to cover its failure for not taking timely measure to finalise the tender and also procure material which were not urgently required. Possibilities of collusion of the departmental officials in the purchase to pass on undue benefit to the supplier cannot be ruled out.

The matter was reported to the Department (June 2008); reply had not been received (November 2008).

PUBLIC WORKS DEPARTMENT

4.6 Excess expenditure

The Department admitted and paid the contractor for supply of sausage wire rolls without verifying the weight factor as approved by the higher authority resulted in excess expenditure of Rs. 15.45 lakh.

The Superintending Engineer, PWD, Namsai circle approved (May 1993) the weight and rate of per roll sausage wire made of 8 SWG Gr.-I wire 100 x 100 hexagonal mesh size of roll 15x3 meter as 112.32 kg per roll and Rs. 44 per kg. Scrutiny of the records of 'Anti Erosion work on Noa Dehing River to protect Namsai and Lekhang circle' project revealed that between December 2000 and March 2004, WRD procured and utilized 4290 rolls 8 SWG sausage wire having weight 5,16,982 kg and used the same on the project. The supplier was paid Rs. 227.47 lakh at the rate of Rs. 44 per kg. But as per the approved norms the weight of 4290 rolls sausage wire should be 4,81,852.8 kg. The monetary value of it works out to Rs. 212.02 lakh. As the Department admitted and paid the supplier's claim without verifying the weight factor as approved by the higher authority resulted in excess expenditure of Rs. 15.45 lakh.

The Department stated (November 2008) that the expenditure was more due to procurement of better quality of sausage wires. Reply of the Department is not acceptable as the procurement of sausage wire was done as per the approved quality and specification (8 SWG Gr.- I wire 100 x 100 hexagonal mesh size of roll 15x3 meter) and thus could not have exceeded the approved weight.

The matter was reported to the Department (June 2008); reply had not been received (November 2008).

Idle/Unfruitful/Unproductive expenditure

HOME DEPARTMENT

4.7 Premature refund of performance security

One portable X-Ray scanner installed in the Chief Minister's office at a cost of Rs. 16.88 lakh could not be got repaired by the supplier during the warranty period due to premature refund of performance security, rendering the expenditure unproductive.

With a view to enhance the security arrangement of the Chief Minister, the State Government accorded (March 2006) administrative approval and expenditure sanction for Rs. 33.75 lakh for purchase of two portable briefcase X-Ray scanners. The Director General of Police (DGP) after inviting tender issued (May 2006) supply order to a local firm (lowest tenderer) for supply of the items at the approved rate of Rs. 16.87 lakh each (inclusive of 12 *per cent* VAT). As per the terms and conditions of supply order, the firm executed a deed of agreement (September 2006) and deposited Rs. 1.68 lakh as performance security. The firm supplied (November 2006) the equipment which was installed (November 2006), at the Chief Minister's residence and in the office building.

Scrutiny (July 2008) of the records of the DGP office, revealed that after working for seven months, the X-Ray scanner installed in the Chief Minister's office stopped functioning (June 2007). Since the fault in the machine had developed within its warranty period of one year, the DGP office asked the supplier to make it functional. The firm failed to respond (July 2008) and the machine remained out of order. The performance security deposit meant to secure the interest of the Government due to be released only in January 2008 was prematurely released in March 2007 in violation of the provisions of GFR, thereby the Government had no control over the supplier to ensure compliance with the contractual obligations. Further, the Department had not made any effort to get the defects rectified through an alternate source.

Consequently, the equipment, procured at a cost of Rs. 16.88 lakh remained non-functional rendering the expenditure not only unproductive but also frustrating the purpose of providing the required security at the Chief Minister's Office.

The matter was reported to the Government in July 2008; reply had not been received (November 2008).

PUBLIC WORKS DEPARTMENT

4.8 Idle expenditure due to non-completion of a bridge

Non-construction of approach road for one bridge and non-completion of another bridge, the Kamchi-Kamdu road constructed could not be put to use resulting in idle investment of Rs. 39.48 lakh.

The State Government accorded administrative approval (August 2000) for 'Construction of two steel bridges at Chainage 5 km and 7.80 km on Kamchi-Kamdu road' at a cost of Rs.40.25 lakh. The stipulated date for the completion of the work was August 2003. The work involved construction of two bridges at the distance of 5 km and 7.80 km to provide road connectivity between the Kamchi-Kamdu village and the Jairampur Administrative Headquarters.

Scrutiny of the records (May 2008) of the EE, Jairampur PWD Division, revealed that the work was started in October 2000 and the steel bridge at 5 km (except approach road) and two abutments for another bridge at chainage 7.80 km were constructed (by March 2007) by incurring an expenditure of Rs. 39.48 lakh. Thereafter, no further progress on the work was found to be made (November 2008). Reason for non-completion of the works was apparently due to shortage of funds in the work. No efforts were made by the Department to obtain necessary additional funds to complete the work.

Thus, due to non-construction of the required approach road for one bridge and non-completion of another bridge, the Kamchi-Kamdu road constructed could not be put to use resulting in idle investment of Rs. 39.48 lakh. Further, the beneficiaries were deprived of the benefits that could have occurred to them due to the envisaged road connectivity.

The matter was reported to the Government (September 2008); reply has not been received (November 2008).

TOURISM DEPARTMENT

4.9 Infructuous expenditure

Infructuous expenditure of Rs. 28.85 lakh due to execution of work at wrong site.

The scheme 'Integrated Development of Tourism Circuit in the State of Arunachal Pradesh' is a Centrally Sponsored Scheme for which Rs. 7.79 crore was sanctioned and Rs. 6.23 crore released (December 2005) by the GOI as first instalment being 80 *per cent* of the sanctioned amount.

'Development of Malini Mela Ground at Likabali' was one of the components of the scheme. The GOI was assured (August 2005) by the State Government that the required land for development of infrastructure was available free of cost and was free from any encumbrance. The State Government accorded administrative approval and expenditure sanction (March 2006) for Rs. 96.11 lakh and released 80 *per cent* i.e. Rs. 76.88 lakh to the Chief Engineer, Rural Works Department (RWD) in March 2006 to execute the work. The work was stipulated to be completed by March 2008.

Scrutiny of the records (July 2008) of the Director of Tourism revealed that RWD, Aalo Division had executed work up to September 2006. On realisation that the site selected was under the territorial jurisdiction of Assam, the work was stopped (September 2006). After a detailed assessment, the Executing Agency (EE, RWD) reported (October 2006) to the Director of Tourism that the work valued Rs. 28.85 lakh[2] was already executed at the site prior to the stoppage of work. Thus, due to wrong selection of the site, an expenditure amounting to Rs. 28.85 lakh became infructuous.

The matter was reported to the Department (June 2008); reply had not been received (November 2008).

Regularity Issue and Others

PUBLIC WORKS DEPARTMENT

4.10 Unauthorised expenditure

The Department incurred an unauthorised/irregular expenditure of Rs.1.59 crore by diverting the revenue realised as hire charges for use of machinery and equipment.

Scrutiny (2007) of records of the Executive Engineer (EE), Yingkiong Division revealed that the Division recovered hire charges from the contractors for the use of T&P items like road roller, tipper, tractor, truck, air compressor, generator set etc. during August 2004 to March 2007. This revenue was, however, not credited to the Government account. Instead, the entire amount was spent on the wages of labourers (Rs.20 lakh) and maintenance of Tools and Plants (T&P) (Rs.1.39 crore) during this period. Meeting expenditure from the revenue earned is violative of CPWD manual and GFR and the expenditure of Rs.1.59 crore was thus unauthorised/irregular.

Considering that the Division was allocated Rs.21 lakh during 2004-07 for the maintenance of T&P, the additional expenditure of Rs. 1.59 crore on wages and maintenance of T&P, was unauthorised and irregular.

The matter was reported to the Department (June 2008); reply had not been received (November 2008).

[2] *Value of work done compound wall=363.60 m, Protection wall=267.50 m, and RCC slab culvert=2 No. amounting to Rs.28.85 lakh*

GENERAL

4.11 Follow up action on Audit Reports

As per the instructions issued by the Finance Department (June 1996), the concerned administrative departments are required to prepare an explanatory note on the paragraphs/reviews included in the Audit Reports indicating the action taken or proposed to be taken and submit the 'Action Taken Note' to the Assembly Secretariat with a copy to (1) Accountant General and (2) Secretary, Finance Department within three months from the date of receipt of the report.

Reviews of outstanding explanatory notes on paragraphs included in the Reports of the Comptroller and Auditor General of India for the years from 1994-95 to 2006-07 revealed that the concerned administrative departments were not complying with these instructions. As of March 2008, *suo motu* explanatory notes on 152 paragraphs of these audit reports were outstanding from various departments as detailed in **Appendix - 4.1**.

The administrative departments are also required to take suitable action on the recommendations made in the Reports of the PAC presented to the State Legislature. The PAC specified the time frame for submission of such ATN as one month up to the 51st Report. Review of 13 reports of the PAC containing recommendations on 68 paragraphs in respect of 15 Departments included in Audit Reports as detailed in **Appendix - 4.2** presented to the Legislature between September 1994 and March 2008 revealed that none of these Departments sent the ATNs to the Assembly Secretariat as of November 2008. Thus, the status of the recommendations contained in the said reports of the PAC and whether these were being acted upon by the administrative departments could not be ascertained in audit.

4.12 Failure to respond to audit observations

574 paragraphs pertaining to 71 Inspection Reports involving Rs.57.42 crore were outstanding as of March 2008. Of these, first replies to twelve Inspection Reports containing 116 paragraphs had not been received.

Accountant General (AG) conducts periodical inspection of Government Departments to test check the transactions and verify maintenance of important accounting and other records as per the prescribed rules and procedures. When important irregularities detected during inspection are not settled on the spot, these are included in the Inspection Reports (IRs) that are issued to the Heads of the offices inspected, with a copy to the next higher authorities. Government orders provide for prompt response by the executives to the IRs to ensure rectificatory action in compliance with the prescribed rules and procedures and to fix responsibility for the deficiencies, lapses, *etc.*, noticed during inspection. Serious irregularities are also brought to the notice of the Heads of the Departments by the office of the Accountant General. A half-yearly report of pending IRs is sent to the Commissioner/ Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

As of March 2008, 574 paragraphs relating to 71 IRs pertaining to 34 offices of three Departments remained outstanding. Of these, 28 IRs consisting of 166 paragraphs had not been replied to/settled for more than 10 years. Even the initial replies, which were required to be received from the Heads of offices within six weeks from the date of issue were not received from nine offices for 116 paragraphs of 12 IRs issued between 1982-83 and 2007-08. As a result, the following serious irregularities commented upon in these IRs had not been settled as of November 2008.

Table: 4.2

(Rupees in lakh)

Sl. No.	Nature of Irregularities	General Administration Department		Horticulture Department		Public Health Engineering Department	
		No. of paras	Amount	No. of paras	Amount	No. of paras	Amount
1	Local purchase of stationery in excess of authorised limits and expenditure incurred without sanction	-	-	11	44.53	-	-
2	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll	30	245.45	22	95.46	-	-
3	Delay in recovery / non-recovery of Department receipts, advances and other recoverable charges	46	489.86	-	-	-	-
4	Drawal of funds in advance of requirements resulting in retention of money in hand for long periods	-	-	7	212.36	-	-
5	For want of D C C bills	13	27.26	12	184.99	-	-
6	For want of APRs	7	13.91	-	-	-	-
7	Non-maintenance of proper stores accounts and non-conducting of physical verification of stores	4	4.07	-	-	-	-
8	Utilization Certificates and accounts certified by Audit in respect of grants-in-aid not furnished.	14	152.51	-	-	-	-
9	Sanction to write off loans, losses, etc., not received	1	0.02	-	-	-	-

Sl. No.	Nature of Irregularities	General Administration Department		Horticulture Department		Public Health Engineering Department	
		No. of paras	Amount	No. of paras	Amount	No. of paras	Amount
10	Idle investment	-	-	-	-	15	572.89
11	Excess/Extra expenditure	-	-	-	-	29	483.25
12	Others	134	459.23	115	567.10	114	2189.17
	Total	**249**	**1392.31**	**167**	**1104.44**	**158**	**3245.31**

Source: Information furnished by the Department and objection book.

The Commissioners/Secretaries of the concerned Departments, who were informed of the position through half-yearly reports, failed to ensure that the concerned officers of the Departments took prompt and timely action. It is recommended that the Government look into this matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/audit paragraphs as per the prescribed time schedule, (b) action is initiated to recover losses/outstanding advances/overpayments pointed out in audit in a time bound manner and (c) there is a proper system for expeditious compliance with audit observations.

4.13 Position of Audit Committee Meetings

During 2007-08 four Audit Committee Meetings were held, where in, 545 paragraphs were discussed and 387 paragraphs were dropped as shown below:

Table: 4.3

Department	Audit Committee meeting held	Paras discussed	Paras Dropped
Works (PWD, RWD etc.)	1	208	144
Civil Departments (Education, Home, Social Welfare etc.)	3	337	243
	4	**545**	**387**

CHAPTER – V

REVIEW OF INTERNAL CONTROL SYSTEM

5.1 Internal Control System in Textile and Handicraft Department

CHAPTER - V

INTERNAL CONTROL SYSTEM

TEXTILE AND HANDICRAFTS DEPARTMENT

5.1 Internal Control Mechanism in Textile and Handicraft Department

Internal controls provide the management with a reasonable assurance that the organization's objectives are being achieved and the organization is functioning in an economical, efficient and effective manner. A built-in internal control mechanism ensures the organization's adherence to the statutes, codes, manuals and departmental orders which minimize the risk of errors and irregularities and help the organization to protect its resources against losses due to negligence, abuse and mismanagement. Audit review of the functioning of the internal control mechanism during the period of 2003-08 in the Textile and Handicrafts (T&H) Department of Government of Arunachal Pradesh revealed deficient budgetary, financial, operational and administrative controls.

Highlights

- **The expenditure during the month of March was much higher than the expenditure incurred during the first quarter of the respective year and was as high as 76 *per cent* of the total expenditure of the Department during 2007-08**

(Paragraph 5.1.7.4)

- **The Director, T&H drew Rs. 1.17 crore in March 2008 and kept the entire amount in Deposit at Call Receipt.**

(Paragraph 5.1.7.5)

- **The utilisation of training capacity during the period 2005-08 ranged between 31 and 43 *per cent*.**

(Paragraph 5.1.9.1)

5.1.1 Introduction

The T&H Department was established on the bifurcation from the Department of the Industries Department in 1999-2000. The Department looks after the handloom, handicraft and sericulture activities in the State to preserve and promote the rich heritage of handloom, handicrafts, art and crafts by encouraging cottage and village industries and by setting up craft training centres to impart skills to the local youth to encourage self-employment and engage them in productive activities.

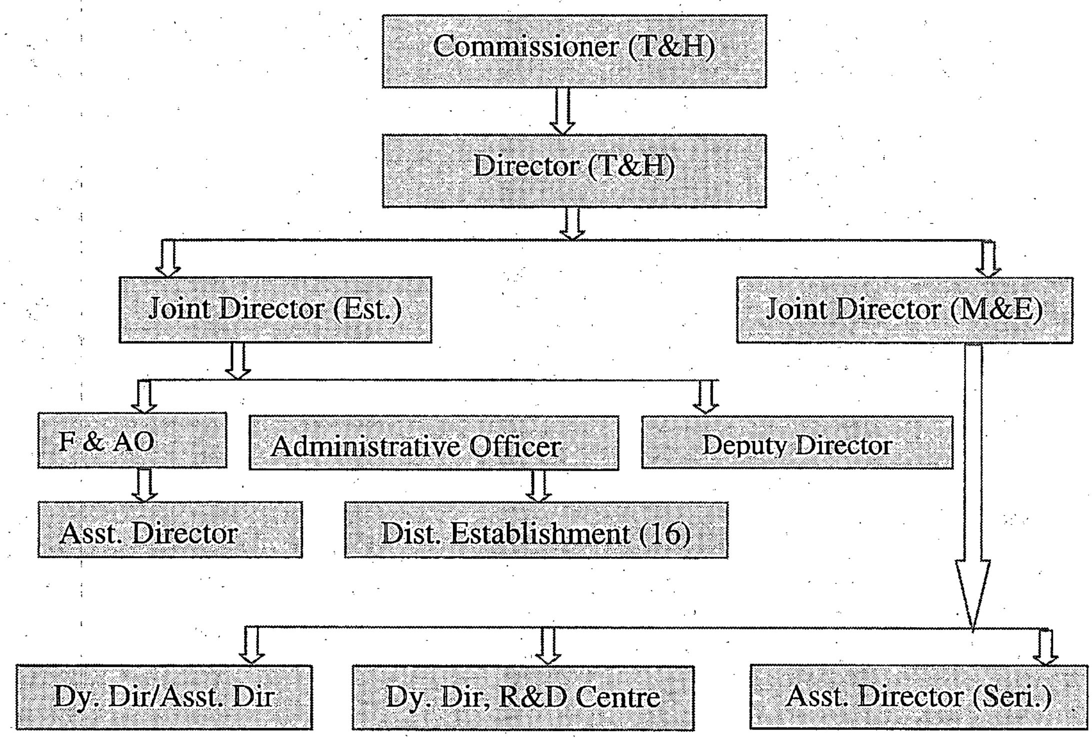
Since inception, the Department has taken up a number of remunerative schemes relating to socio-economic development and rural employment generation in the following sectors:

- Handloom Industries
- Handicrafts Industries
- Sericulture Industries
- Khadi & Village Industries
- Other Village Industries, and
- Bamboo Industries

5.1.2 Organizational Setup

The Commissioner, Textile and Handicrafts (T&H), is the administrative head of the Department. The Director is the head of the Directorate and he is assisted by two Joint Directors, FAO, Administrative Officer and one Deputy Director and 16 Deputy Directors/ Assistant Director in the formulation and implementation of various activities of the organization as depicted in the following organogram:

Chart: 5.1



5.1.3 Scope of Audit

Adequacy and effectiveness of the internal control mechanism in the T&H Department during the period 2003-08 was reviewed in audit through a test check (June-September 2008) of the records of the Directorate and five out of 16 District units viz. Papum Pare (the capital district), Pasighat, Tezu, Changlang and Ziro (including sales Emporia at Itanagar).

5.1.4 Audit Objectives

The objectives of the review were to examine and assess the adequacy and effectiveness of internal control mechanism in the Department, particularly with regard to the following aspects:

- Budgetary and Financial controls
- Administrative controls
- Operational controls
- Monitoring & Supervisory controls; and
- Internal Audit

5.1.5 Audit criteria

The audit findings were benchmarked against the following criteria:

- Provisions of the General Financial Rules;
- Departmental policies/rules and regulations;
- Government notifications/guidelines issued from time to time; and
- Procedures prescribed for monitoring and evaluation.

5.1.6 Audit methodology

Before taking up the review, an entry conference was held (30 June 2008) with the Director and other officials of the Department, wherein, the audit objectives, scope and criteria were explained. The audit findings were discussed with the Director and his officers in an exit conference on 17 November 2008 and their replies have been incorporated in the review, where appropriate.

5.1.7 Audit findings

5.1.7.1 Budget provision vis-à-vis expenditure

Budget provision and expenditure incurred thereagainst by the Department during the period 2003-08 were as under:-

Table: 5.1.1

(Rs. in crore)

Year	Budget provisions			Expenditure			Excess(+)/ Saving(-) *(Per cent)*	
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan
2003-04	5.73	4.57	10.30	5.44	4.31	9.75	- 0.29(5)	- 0.26(6)
2004-05	3.90	4.93	8.83	3.83	4.94	8.77	- 0.07(2)	-
2005-06	5.95	5.25	11.20	6.01	5.25	11.26	+ 0.06(1)	-
2006-07	5.36	6.10	11.46	5.65	6.10	11.75	+ 0.29(5)	-
2007-08	9.23	6.34	15.57	8.91	6.30	15.21	- 0.32(3)	- 0.04(1)
Total	**30.17**	**27.19**	**57.36**	**29.84**	**26.90**	**56.74**	**0.33(1)**	**-**

Source: T&H Secretariat

It may be seen from the above table, that the excesses and savings of the Department during the review period were marginal.

The Department stated (November 2008) that the budgeting and approval process in the State is very lengthy and the final approval of the Annual Operating Plan (AOP) is normally received in the month of November/December and sometimes even in the month of February. Consequently, the organization has very less time to implement AOP resulting in savings and excesses.

5.1.7.2 Excessive budgeting for stipends to trainees

Budget allocation should be decided on the basis of the estimated fund requirement of any unit so that excesses and savings could be avoided. Further, budgetary requirement is normally calculated on the basis of expenditure during the previous years and the volume of the proposed activities during the year being budgeted for.

The year-wise budget provisions during 2003-04 to 2007-08 made for the disbursement of stipend under Handicraft Sector and expenditure incurred thereagainst are tabulated below:

Table: 5.1.2

(Rs.in lakh)

Year	No. of seats		Budget provision	Actual Expenditure	Savings *(per cent)*
	Available	Utilised			
2003-04	886	276	67.50	18.22	(-)49.28*(73)*
2004-05	886	298	51.17	19.67	(-)31.50*(62)*
2005-06	886	299	53.17	19.73	(-)33.44*(63)*
2006-07	886	381	51.35	25.15	(-)26.20*(51)*
2007-08	886	344	53.60	22.70	(-)30.90*(58)*

Source: T&H Directorate

Even though the actual intake of trainees year after year was far less than the maximum capacity, the Department continued to make excessive allocation, having no relation to actual requirement of funds, which led to huge savings each year during 2003-08. This reflects on poor budgetary exercise in the department.

The Department admitted (November 2008) the audit finding and promised suitable action in the future.

5.1.7.3 Expenditure Control

The Director, H&T as Head of the Department is responsible for the budget allocation and to ensure that the activities in the Department are carried out efficiently and timely as planned. For this purpose, the monthly expenditure statements are to be sent by the DDOs to the Directorate as a part of the management information system (MIS) and internal control mechanism. This would help the controlling officer and other higher management in assessing on monthly basis the progress in the implementation of the planned activities, and to timely intervene whenever required.

The Department has no system of furnishing the monthly expenditure statements to the Directorate. In the absence of monthly expenditure statements the Directorate was not in a position to monitor the progress in the implementation of the planned activities by the field units and take timely action.

5.1.7.4 Persistent rush of expenditure in March

As per the General Financial Rules and Union Ministry of Finance's advice (September 2007), expenditure should be evenly phased over the financial year and the expenditure which can be incurred in the last quarter should not exceed 33 *per cent* of the total allocation. The rush of the expenditure at the close of the year may lead to infructuous, nugatory or ill-planned expenditure.

The comparative position of the expenditure figures of the Directorate during the first quarter and March during the financial years from 2003-08, is tabulated below:-

Table: 5.1.3

(Rs. in crore)

Year	Total expenditure	Expenditure during first Quarter		Expenditure during March	
		Amount	Percentage	Amount	Percentage
2003-04	2.84	0.65	23	0.81	29
2004-05	4.18	1.01	24	1.00	24
2005-06	5.94	0.46	8	2.16	36
2006-07	5.51	1.30	24	1.90	34
2007-08	6.50	0.26	4	4.91	76

Source: - Directorate, T&H.

As can be seen from the above table, the expenditure incurred in the first quarter during the review period was always lower than the expenditure incurred in the month of March of the respective financial year. The position was more serious in 2007-08 when 76 *per cent* of the total expenditure was incurred in the month of March. However, no rush of expenditure was noticed in the test-checked districts.

The Department stated (November 2008) that due to the lengthy budgeting and approval process, little time was available for the implementation of the schemes. The reply is not acceptable as the reasons given for the March rush were all within the control of the Government and could have been adequately addressed.

As per the existing system in Arunachal Pradesh, funds released by the GOI for various Central/Centrally Sponsored Schemes are received first by the Finance Department (FD). Based on the requirement of funds projected by the Department in its annual operating plan (AOP) funds are released by the Finance Department. Scrutiny revealed that the approval of FD to the AOP normally takes abnormal time and consequently, delays the implementation of the targeted programme. Thus, there is an urgent need to streamline the existing procedure to obviate delays in transmission of funds so that the Department could utilise the funds in a planned manner on the approved activities.

5.1.7.5 Drawal of funds without immediate requirement

As per Receipts and Payments Rules, funds should be drawn only for immediate disbursement. Scrutiny of records revealed that the Director, T&H drew Rs.1.17 crore in March 2008 and kept the entire amount in the form of Deposit at Call Receipt (DCR). Even after a period of more than six months Rs.45 lakh of this amount was still being kept in DCR. The amount was sanctioned by the GOI in February 2008 for implementation of the Centrally Sponsored Scheme "Handloom Development Scheme" in the State.

Thus it appears that the amount was drawn in March 2008 mainly to avoid the lapse of the budget provision. This had the implication of booking expenditure against the grant concerned and inflating the financial progress of the activity without any actual physical progress. The probability of misuse, mis-utilization and even misappropriation of such funds drawn in advance and kept outside the accounts, cannot be ruled out.

The Department stated (November 2008) that since the fund was released at the fag end of March by the Government, there was no alternative with the T&H Directorate but to draw it and keep the money in DCR. Further, since it was a new scheme, a number of formalities were required to be observed before implementing it. The Department should approach the Government to simplify the existing procedure for release of funds so that the developmental programmes are implemented on time and in compliance with the prescribed procedures.

5.1.7.6 Non-reconciliation of drawal and deposit with treasury

Drawing and disbursing officers are required to carryout monthly reconciliation of drawals and deposits with the records of the treasury by 10th of the following month, to ensure that no drawal and deposit is left unaccounted.
Scrutiny of records of the Director (T&H) revealed that the prescribed monthly reconciliation with the treasury had not been done since the creation of the Department. As a result, possible non-accountal of remittances into treasury remains undetected.

The Department accepted the audit finding and stated that (November 2008) the required procedure would be followed in future.

5.1.7.7 Non-reconciliation of expenditure figures with AG

Reconciliation of departmentally compiled expenditure with those booked by the Accountant General (AG) is to be carried out every quarter. Such reconciliation provides assurance to the controlling office that the departmental accounts rendered by subordinate offices are a correct depiction of drawals from treasury and is a key control against fraudulent drawals. Scrutiny of records, however, revealed that the system of quarterly reconciliation did not prevail in the Department during the period 2002-08.

The Department accepted the audit finding and stated that (November 2008) the required procedure would be followed in future.

5.1.8 Operational Controls

5.1.8.1 Irregular Financial Transactions

As per Rule 290 of Central Treasury Rules all payments exceeding Rs. 1000 should be made through cheque or bank draft instead of by cash. Scrutiny of Cash Book along with the Actual Payee's Receipts (APRs) revealed that the Directorate made total payment of Rs. 34.75 lakh in March 2008 to 55 local suppliers in cash when the transactions ranged between Rs. 13,570 to Rs. 5,94,165 in violation of the prescribed rules.

The Director, T & H stated (November 2008) that the Drawing & Disbursing Officer (DDO) was not empowered with the cheque drawing power. Further, he added that normally due to very late approval of Annual Operation Plan, the payments are accumulated in the last few months of the financial year and then the banks are not able to issue bank drafts due to rush of bills/transactions, and that the Department had no alternative but to draw funds in cash to make the disbursements within that financial year.

The very fact that the DDO did not have the cheque drawing power reflected on the poor operational control in the Department. It is pertinent to mention here that the problem was further aggravated as a result of the poor control over expenditure which allowed accumulation of expenditure at the end of the financial year compounded by late approval of the AOP.

5.1.8.2 Lack of monitoring in distribution of CGI sheets

Scrutiny of records of Deputy Director (T&H), Lower Subansiri District revealed that the unit received (September 2005) 900 CGI Sheets (9 MT) valued Rs.3.99 lakh from a Guwahati based firm for distribution to the eligible sericulture beneficiaries at the rate of Rs. 5000 per beneficiary as assistance for construction of rearing houses under Vanya Silk Programme. Out of this, 315 sheets were transferred to the Deputy Director (T&H) of Kurung Kumey District in March 2006 and 497 sheets were stated to be issued to 18 beneficiaries between October 2005 and April 2008 and the remaining 88 sheets were lying idle till the date of audit (July 2008) without assigning any reasons. Scrutiny also revealed that material issued to each beneficiary ranged from 20 to 37 sheets worth Rs.8860 to Rs.16,391 was also not in conformity to the approved norm of Rs.5000 per beneficiary. The excess amount of CGI sheets issued and the abnormal time of three years taken by the Department in distribution to the eligible beneficiaries throw serious doubts about the effectiveness of the system in place to ensure that correct amount of assistance is extended in a timely manner to the right beneficiaries.

In reply, the Department stated (November 2008) that the balance quantity of 88 sheets were issued to three beneficiaries on 23 and 24 October 2008 due to delay in receipt of requisitions from the beneficiaries.

5.1.8.3 Non-preparation of Department Manual

The Department should have its own Manual prescribing the processes and procedures for running various activities. Manual should be updated and revised periodically to ensure that it carries the new instructions and guidelines. Scrutiny revealed that T&H Department does not have its own manual.

In reply, the Department stated that they are following GFR and the important Government orders are maintained in a guard file. Department is advised to consolidate the standing important orders and compile its own manual and ensure that the copies are made available to the field units for their use.

5.1.8.4 Unproductive expenditure due to idle assets

- In 1996, the Department acquired an industrial shed with a covered area of 1200 sqft at New Okhla Industrial Estate (Phase-II) in New Delhi at a cost of Rs.12.94 lakh for use as Handicrafts Development-cum-Marketing Centre and renovated it at a cost of Rs. 7.84 lakh. In addition, incidental expenditure like property tax, water tax amounting to Rs. 4.39 lakh was spent up to March 2004. Any payment made on these account thereafter was not on record.

Scrutiny revealed that initially the Centre functioned with some contingent artisans to manufacture cane and bamboo items. However, since 1999-2000 no production and other development activities were carried out, as the artisans left the Centre due to poor accommodation facilities and irregular supply of raw material. Thus, the failure of the Department to ensure proper supply of raw material and proper maintenance of the accommodation resulted in unfruitful expenditure of Rs.25.17 lakh which is indicative of poor operation controls.

The Department stated (November 2008) that the asset could not be put to any productive use due to shortage of funds, and that efforts are being made to rent it out to the highest private bidder.

- The Department paid Rs.15 lakh to the Public Works Department (PWD) for construction of a semi-permanent building to be used as the new training centre at Riga, East Siang District. Though the newly constructed building was handed over to the Department by PWD in November 2005 it was not utilised even after the lapse of three years of its acquisition (October 2008). Reasons for non-utilisation of the asset were not on record. Non-utilisation of the asset created at a cost of Rs. 15 lakh even after a lapse of nearly three years is indicative of lack of proper planning.

The Director (T&H) accepted the audit findings and stated (November 2008) that he has already asked his District Officer to use the building for some constructive purpose.

5.1.8.5 Underutilized training infrastructure

In respect of Sericulture and Handloom Industries, the targets for imparting training to the local youth under High Skilled Development Programme (HSDP) are fixed annually.

- The number of persons to be trained under HSDP in Handloom sector was fixed at 260 each year. It was found in audit that against these targets, not even a single person was trained during 2003-08.
- Similarly, against the annual target of training 600 persons in Sericulture Sector during the years 2003-06, none was found to be trained. Department then downscaled the annual targets to 141 and 100 for 2006-07 and 2007-08 respectively. Against these, the achievement was 141 and 20 during 2006-07 and 2007-08 respectively.

The Director stated (November 2008) that the reason for underutilisation of the training infrastructure was the paucity of funds and the position would improve when funds are made available.

The Department should have fixed annual targets taking into account availability of funds during the year rather than as a matter of routine. Further, it is indicative of the Department's failure to mobilise adequate financial resources required for imparting training so that the optimal utilisation of the training infrastructure is ensured to improve the skill and earning potential of the trained youth.

5.1.8.6 Non- maintenance/improper maintenance of records

Cash Book

A review of the existing cash management system in the test checked districts revealed instances of non-compliance with the laid down instructions/ procedures in the maintenance of Cash Book as detailed below:

Table: 5.1.4

	Name of district units	Deficiencies in maintenance of Cash Book
1.	Deputy/Assistant Director Yupia, Tezu and Pasighat	Cash Book was not closed regularly and not authenticated.
2.	Deputy/Assistant Director, Tezu, Ziro, Changlang and Pasighat	Frequent cancellations and corrections in Cash Book without any authentication.
3.	Deputy/Assistant Director, Tezu, Pasighat and Daimukh	The month-end physical cash verifications were not carried out.

The Director, T&H accepted (November 2008) the audit findings on maintenance of Cash Book and assured that efforts would be made to streamline the system in the Department.

Asset Register

Similarly, the Department is required to maintain an Asset Register for recording the details about the assets created/acquired or received from any other source. The register helps in keeping the accountal, monetary value, movement and history of the assets. Scrutiny of records revealed that in the Directorate as well as in five test-checked districts, no asset register was maintained.

The Director admitted (November 2008) the audit finding and promised that the requisite registers would be maintained henceforth.

5.1.9 Administrative Control

5.1.9.1 Shortfall in training

Handicraft training is one of the important factors in ensuring efficient manpower development for activities relating to the carpet weaving, cane furniture, wood turning, beaded ornaments, carpentry, etc. The training activity is closely linked to one of the objectives of the Department - 'to preserve and promote the rich heritage of handloom, handicrafts, art and crafts by encouraging cottage and village industries and by setting up craft training centres and thereby imparting skills to the local youth in different trades'.

In paragraph 5.1.7.2, the fact regarding excessive provisioning of funds to cater to stipend for trainees undergoing handicraft training has been pointed out. There are 886 seats in 88 training centres in the State offering various courses in the Handicraft Sector. The Department has employed 24 Craft Superintendents, 115 Craft Inspectors and 106 Craftsman to impart skills to the trainees in different trades. The utilisation of training capacity available vis-a-vis the actual enrolment and the training results during the years from 2003-08 is captured in the following table:

Table: 5.1.5

Year	Training capacity	Enrolled trainees	Shortfall (*per cent*)	No. of trainees passed	Percentage of	
					Pass	Fail
2003-04	886	276	610 (69)	192	70	30
2004-05	886	298	588 (66)	191	64	36
2005-06	886	299	587 (66)	171	57	43
2006-07	886	381	505 (57)	140	37	63
2007-08	886	344	542 (61)	113	33	67

Source: Directorate (T & H)

It is evident from the above table that the training infrastructure was not used optimally, as the annual average enrolment for the training during the period from 2003-08 was very poor and average capacity utilisation during the period was a mere 36 *per cent*. Further, the pass percentage showed a downward trend and declined from 70 *per cent* in 2003-04 to a mere 33 *per cent* in 2007-08. The wide gap between the training capacity and the actual utilisation thereof reflected upon the poor administrative procedures and is indicative of the Department's inability to attract eligible candidates. This may be due to lack of awareness about the training facilities being offered by the Department. The Department had not analysed if the decline in pass percentage was due to wrong selection of trainees or due to lack of adequate faculty or poor-competence of the training faculty.

Further, as the capacity utilisation during 2005-08 ranged between 31 and 43 *per cent,* it is evident that all the courses being offered at these training centres might not have been conducted during the period. As such, the manpower positioned at these training centres was rendered idle. Thus, expenditure incurred on their salary, etc to a large extent was unproductive.

The Director stated (November 2008) that the Minister, T&H has already approved the lowering of the qualification for enrolment in the training programme, and this is expected to improve the utilisation of training infrastructure. While lowering the qualification can partly solve the problem of low utilization, this will also have a direct negative impact on the already poor pass percentage at the training centres.

5.1.9.2 Physical Verification of Stock

As per the General Financial Rules, physical verification of the stock needs to be done annually. Audit scrutiny revealed that the physical verification of stock was done (April 2008) in Itanagar S&T Emporium after a period of four and half years. Due to the absence of an effective system of annual physical verification of stocks, the old unsold items in the Emporium could not be identified timely leading to higher discounts when finally detected. In this case, the management came to know about the old unsold handloom and handicraft items procured between 1993 and 2003 worth Rs. 5.25 lakh. The Emporium then allowed a rebate of 57 *per cent* on these old items.

Similarly, Doimukh Emporium conducted physical verification only twice (Feb-2005 & Mar-2008) during the last five years and had to allow rebate of 70 to 90 *per cent* on unsold handloom and textile items (worth Rs. 1.46 lakh). The absence of annual physical verification of stores and assets reflects on poor administrative controls in the Department.

In reply, the Department stated (November 2008) that physical verification could not be conducted annually due to the observance of various time consuming formalities relating to stocktaking. The practical difficulties pointed out by the Department in stocktaking are within their control and could be sorted out through suitable efforts. In the absence of regular periodical physical verification, the probability of loss/ misappropriation of stores cannot be ruled out.

5.1.9.3 Departmental Inspections

It is important that an organization has a system of departmental inspections to ascertain its compliance with statutory, regulatory, financial and operational requirements and controls. The system should specify the inspection requirements for different level of officers, their frequency and their nature i.e. surprise or informed and the reporting requirements. No such system was prevalent in the T&H Department thereby depriving the organization of an effective layer of internal control.

5.1.10 Internal Audit System

Internal Audit (IA) is considered necessary to evaluate the efficiency and effectiveness of the internal controls and procedures in the organization. The Director of Audit and Pension, Arunachal Pradesh is responsible for conducting internal audits in the State Government departments including T&H Department. During the years 2003-08 neither the Director of Audit conducted any internal audits nor did the Department itself engage any other alternative agency for this purpose.

The Department (November 2008) stated that the internal audit is the responsibility of the Directorate of Audit and Pension. The Department should have impressed upon the Director of Audit and Pension the need to conduct periodical internal audit so that corrective measures based on their recommendations could be taken to improve the functioning of the Department or else the Department should have approached the government to make alternative arrangement, if Director of Audit and Pension was not in a position to carry out its mandate of internal audit.

5.1.11 Conclusion

As brought out in the foregoing paragraphs, many of the internal controls viz, budgetary and financial control, operational control, administrative control and internal audit system were either absent or inadequate/or ineffective in the T&H Department. Budget allocation was not realistic, Infrastructure created/acquired remained idle or underutilized, training activities were not effective, internal audit was absent, stores and assets were not physically verified, departmental inspection was missing and important records were not being maintained.

5.1.12.1 Recommendations

- Financial controls need to be strengthened to ensure that expenditure is evenly spread throughout the financial year, and required funds are provided for the necessary activities of the organisation.
- Operational controls should be made more efficient and effective to ensure that the assets are created strictly on need basis and the assets so acquired are put to use for the purpose they are acquired. Efforts should be made to optimally utilise the training infrastructure created.
- Management needs to give special attention to the Cash management system in the organization and strengthening the relevant controls.

- Physical verification of stock should be carried out at regular intervals as prescribed under the rules so that accumulation of old stock is avoided.
- The Department should reconcile their figures with the treasuries and AG office at prescribed intervals.
- The State Government should be approached to make alternate arrangement for internal audit of the Department, if the present arrangement fails to carry out the task.

CHAPTER – VI

REVENUE RECEIPTS

CHAPTER – VI

REVENUE RECEIPTS

GENERAL

6.1 Trend of revenue receipts

6.1.1 The tax and non-tax revenue raised by the Government of Arunachal Pradesh during the year 2007-08, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table: 6.1

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
I.	**Revenue raised by the State Government**					
	• Tax revenue	43.73	50.11	62.09	78.24	98.09
	• Non-tax revenue	120.57	170.20	202.36	297.17	656.92
	Total	**164.30**	**220.31**	**264.45**	**375.41**	**755.01**
II.	**Receipts from Government of India**					
	• State's share of divisible Union tax	160.60	191.95	272.15	347.14	437.87
	• Grants-in-aid	1,251.46	1,089.58	1,312.81	1,869.62	1,810.13
	Total	**1,412.06**	**1,281.53**	**1,584.96**	**2,216.76**	**2,248.00**
III.	**Total receipts of State *(I + II)***	**1,576.36**	**1,501.84**	**1,849.41**	**2,592.17**	**3,003.01**
IV.	**Percentage of *(I to III)***	**10**	**15**	**14**	**14**	**25**

The above table indicates that during the year 2007-08, the revenue raised by the State Government was only 25 *per cent* of the total revenue receipts (Rs. 3,003.01 crore). The balance 75 *per cent* of receipts during 2007-08 was from the Government of India.

6.1.2 The non-plan grants received by the State from the Government of India during 2003-04 to 2007-08 are mentioned below:

Table: 6.2

(Rupees in crore)

Year	2003-04	2004-05	2005-06	2006-07	2007-08
Non-plan grants	300.04	299.64	388.50	387.54	380.30

Thus, non-plan grants received by the State during 2007-08 had increased by 27 *per cent* over the level in 2003-04.

6.1.3 The following table presents the details of tax revenue raised during the period from 2003-04 to 2007-08:

Table: 6.3

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Sales tax	21.79	28.25	47.69	61.64	77.06	(+) 25.02
	Central sales tax	...	...	...	...	...	
2.	State excise	15.42	17.79	9.51	10.98	11.60	(+) 5.65
3.	Stamp and registration fees	0.31	0.46	0.41	0.55	0.86	(+) 56.36
4.	Taxes and duties on electricity	...	0.01	...	...	...	
5.	Taxes on vehicles	2.02	2.21	2.99	2.93	6.42	(+) 119.11
6.	Taxes on goods and passengers	...	...	...	...	...	
7.	Land revenue	3.57	0.76	1.11	2.10	2.12	(+) 0.95
8.	Taxes on agricultural income	...	...	...	...	...	
9.	Others	0.62	0.63	0.38	0.04	0.03	(-) 25.00
Total		**43.73**	**50.11**	**62.09**	**78.24**	**98.09**	**(+) 25.37**

The reason for increase in sales tax was attributed by the concerned department to increase in registration of dealers under Arunachal Pradesh Goods Tax Act (Value Added Tax Act). The other departments did not inform the reasons for variation despite being requested (May 2008).

6.1.4 The following table presents the details of the major non-tax revenue raised during the period from 2003-04 to 2007-08:

Table: 6.4

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Interest receipts	8.45	5.07	6.98	13.54	29.10	(+) 114.92

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
2.	Dairy development	0.01	0.03	0.03	0.03	0.03	-
3.	Other non-tax receipts	30.60	29.08	27.19	84.05	62.01	(-) 26.22
4.	Forestry and wildlife	9.62	10.53	13.71	9.03	8.57	(-) 5.09
5.	Non ferrous mining and metallurgical industries	17.39	28.26	24.94	47.60	45.82	(-) 3.74
6.	Miscellaneous general services (including lottery receipts)	15.64	8.61	5.57	15.85	45.56	(+) 187.44
7.	Power	33.62	83.65	88.77	119.05	458.06	(+) 284.76
8.	Major and medium irrigation	-	-	-	-	-	-
9.	Medical and public health	0.27	0.18	0.17	0.19	0.37	(+) 94.74
10.	Co-operation	0.02	0.10	0.11	0.11	0.40	(+) 263.64
11.	Public works	1.90	2.35	3.23	2.22	1.59	(-) 28.38
12.	Police	1.81	0.83	1.51	2.03	1.22	(+) 39.90
13.	Other administrative services	1.24	1.51	30.15	3.41	4.19	(+) 22.87
	Total	**120.57**	**170.20**	**202.36**	**297.11**	**656.92**	**(+) 121.10**

The concerned departments did not inform (November 2008) the reasons for variation despite being requested (May 2008).

6.1.5 Variation between budget estimates and actuals

The variations between budget estimates and actual of revenue receipts for the year 2007-08 in respect of the principal heads of tax and non-tax revenue are mentioned below:

Table: 6.5

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actual	Variation excess (+) or shortfall (-) with reference to actual	Percentage of variation
1.	Sales Tax	58.00	77.06	(+) 19.06	(+) 32.86
2.	State excise	11.00	11.60	(+) 0.60	(+) 5.45
3.	Power	85.00	458.06	(+) 373.06	(+) 438.89

4.	Non ferrous mining and metallurgical industries	15.50	45.82	(+) 30.32	(+) 195.61
5.	Forestry and Wildlife	9.00	8.57	(-) 0.43	(-) 4.77
6.	Miscellaneous services	18.00	45.56	(+) 27.56	(+) 153.11

The concerned departments did not inform (November 2008) the reasons for variations between the budget estimates and actuals despite being requested (May 2008).

6.1.6 Cost of collection

The gross collection under principal revenue heads, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2005-06 to 2007-08 along with all India average percentage of expenditure on collection for 2007-08 were as under:

Table – 6.6

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue[9]	Percentage of expenditure on collection	All India average percentage for the year 2006-07
1	Sales Tax	2005-06	47.69	1.51	3.17	0.82
		2006-07	61.64	2.50	4.06	
		2007-08	77.06	2.89	3.75	
2.	State Excise	2005-06	9.51	0.31	3.26	3.30
		2006-07	10.98	0.44	4.01	
		2007-08	11.60	0.44	3.79	

Thus, the percentages of expenditure on collection in respect of sales tax and state excise heads were higher than the all India average percentage of expenditure for the year 2006-07 except in case of state excise during the year 2005-06.

6.1.7 Arrears in assessment

The details of cases pending assessment at the beginning of 2007-08, cases due for assessment during the year, cases disposed of during the year and number of cases pending at the end of the year as furnished by the department are given below:

[9] Figures as furnished by the department.

Table – 6.7

Name of tax	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales tax/ Central Sales tax/VAT/ Motor Spirits	3,789	1,968	5,757	406	5,351	7.05

Thus, during 2007-08 the percentage of final assessments was only seven *per cent* of the total assessments. The Government has not fixed any norm quantifying the number of assessments to be completed by each assessing officer during a particular period.

6.1.8 Arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs 71.16 crore out of which Rs 7.65 crore was outstanding for more than five years as mentioned in the table below:

Table – 6.8

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than 5 years as on 31 March 2008
1.	Land Revenue	43.94	7.65
2.	Geology and Mining	21.81	-
3.	Environment and Forest	5.41	-
	Total	**71.16**	**7.65**

Arrears of revenue in respect of sales tax and state excise are nil and particulars in respect of motor vehicle taxes has not been received (November 2008).

6.1.9 Result of Audit

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, forest and other receipts conducted during 2007-08 revealed under assessments, non/short levy, loss of revenue etc., of Rs. 236.31 crore in 105 cases. During the year, the departments accepted short/non-levy and under assessment of Rs. 57.58 crore in 17 cases pointed out in 2007-08 and in earlier years and recovered Rs 4.52 lakh. No reply has been received in respect of the remaining cases.

This chapter contains 20 paragraphs involving Rs. 108.14 crore. The department/Government accepted six cases involving Rs. 50.98 crore. Report on recovery in these cases and reply in other cases had not been received (November 2008).

6.1.10 Failure of senior officials to enforce accountability and protect interests of Government

The Accountant General, Arunachal Pradesh, Itanagar conducts periodical inspection of various offices of the Government/departments to test check the correctness of assessments, levy and collection of tax and non-tax receipts and verify the maintenance of accounts and records as per Acts, rules and procedures prescribed by the Government/departments from time to time. These inspections are followed by inspection reports (IRs) issued to the heads of office inspected with copies to the higher authorities. Serious irregularities noticed in audit are also brought to the notice of the Government/heads of the departments, by the office of the Accountant General, Arunachal Pradesh. A half yearly report regarding pending IRs is sent to the Secretaries of the concerned departments to facilitate monitoring and settlement of audit objections raised in these IRs through intervention of the Government.

Inspection reports issued upto December 2007 pertaining to offices under sales tax, state excise, land revenue, motor vehicle taxes and forest receipts disclosed that 512 observations relating to 254 IRs involving money value of Rs. 142.27 crore remained outstanding at the end of June 2008. Of these, 112 IRs containing 236 observations involving money value of Rs. 15.79 crore had not been settled for more than five years.

In respect of observations relating to 19 IRs involving money value of Rs. 28.16 crore issued upto March 2008, even first reply from the department/Government had not been received (November 2008). It is recommended that Government prescribe a time schedule for regular submission of reply to IRs/paragraphs for settlement.

6.1.11 Recovery of revenue of accepted cases

During the years 2002-03 to 2007-08, the Government/departments accepted audit observations involving Rs. 67.72 crore of which only Rs. 9 lakh had been recovered till September 2008 as mentioned below:

Table: 6.9

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2002-03	5.77	0.79	0.02
2003-04	23.05	0.27	0.01

2004-05	5.43	1.90	-
2005-06	8.69	6.91	0.06
2006-07	31.53	6.60	-
2007-08	112.38	51.25	-
Total	**186.85**	**67.72**	**0.09**

The above table indicates that amount recovered was only 0.13 *per cent* of the accepted amount. Recovery of such meagre amount reflects apathy on the part of the departments/Government in prompt recovery of Government dues.

6.1.12 Audit Committee meetings

During the year 2007-08, no audit committee meeting was held.

6.1.13 Response of the departments to draft paragraphs

The draft paragraphs are forwarded to the Secretaries of the concerned departments through demi official letters drawing their attention to the audit findings and requesting them to send their reply within six weeks. The fact that the replies from the departments have not been received are invariably indicated at the end of each such paragraphs included in the Audit Report.

Twenty two draft paragraphs proposed for inclusion in this Report were forwarded to the Secretaries of the respective departments during November 2007 and July 2008. Besides, the Chief Secretary to the State Government was also requested to arrange for discussion of the issues raised in the draft audit paragraphs for inclusion of the views/comments of the Government in the Audit Report. Despite these efforts, no response was received on these draft paragraphs and consequently these had to be included in this Report without the response of the Government.

6.1.14 Follow up on Audit Report – summarised position

With a view to ensure accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Shakhder Committee, appointed to review the response of the State Government to Audit Reports, recommended (March 1993), *inter alia*, that the concerned departments of the State Government should without waiting for the receipts of any notice or call from the Public Accounts Committee (PAC), submit *suo motu* replies on all paragraphs and reviews featuring in the Audit Reports within three months, and submit the action taken notes (ATN) in respect of the recommendations of the PAC within the dates as stipulated by the PAC or within a period of six months whichever is earlier.

While accepting the recommendation (1996), the Government specified the time frame of three months for submission of *suo motu* replies by the concerned departments. The PAC specified the time frame for submission of ATN on their recommendations as one month upto 49th Report.

Reviews of the outstanding explanatory notes on the paragraphs included in the Report of the Comptroller and Auditor General of India for the years from 1988-89 to 2006-07 revealed that the concerned administrative departments were not complying with these instructions. As of November 2008, *suo motu* explanatory notes on 57 paragraphs of these audit reports were outstanding from various departments.

Review of five reports of the PAC containing recommendations on 19 paragraphs in respect of Forest, Finance and Excise Departments presented to the Legislature between September 2001 and March 2006 revealed that the department had failed to submit ATN on the recommendations made by the PAC as mentioned below:

Table: 6.10

Year of Audit Report	Paragraph numbers on which recommendations were made by the PAC but ATNs are awaited	Number of PAC report on which recommendations were made	Date of presentation of the report of the PAC to the State Legislature
1986-87	6.4, 6.6, 6.7 and 6.8	49th Report	3 March 2003
1991-92	6.4, 6.5 and 6.6	44th Report	21 September 2001
1994-95	6.4	44th Report	21 September 2001
1995-96	6.4, 6.5 and 6.6	46th Report	19 March 2002
	6.7, 6.8 and 6.10	48th Report	-do-
1996-97	6.7	46th Report	-do
1997-98	6.3, 6.5 (i), (ii)	51st Report	21 March 2006
1998-99	6.3.6 (a) and 6.5	51st Report	-do-

Note: In respect of 6.5 and 6.3.6 of 1997-98 and 1998-99 respectively, the paragraphs were recommended to be dropped by the PAC (51st report).

Thus, due to failure of the department to comply with the instructions of the PAC, the objective of ensuring accountability remained unfulfilled.

AUDIT OF TRANSACTIONS

ENVIRONMENT AND FOREST DEPARTMENT

6.2 Non-levy of penalty

Penalty of Rs. 2.38 crore was not realised from 323 offenders for unauthorised occupation of 3,559.17 hectares of land in reserve forests

Under the AFR (as adopted by the Government of Arunachal Pradesh) and rules framed thereunder, if any person unauthorisedly occupies any land in a reserved forest in which he has not been allowed to settle, the divisional forest officer (DFO) shall, eject or order him to vacate the land forthwith and confiscate or destroy any crops raised and any building constructed on such land. Further, the rules provide that if any person intentionally disobeys such order to vacate the forest land, he shall be liable to pay a penalty which may extend to Rs. 500 and if such disobedience is continued, he shall be liable to pay further penalty which may extend to Rs. 100 per day during the period such breach continues.

Test check of the records of five forest divisions[10] between July 2007 and January 2008 revealed that during 2005-06 to 2006-07, 323 persons unauthorisedly occupied 3,559.17 hectares of land in reserved forests. The concerned DFOs served eviction notices on the encroachers to vacate the forest land without confiscating or destroying the crops raised or buildings constructed. The encroachers did not comply with the notices and continued to occupy the aforesaid forest land unauthorisedly till March 2008. The department did not initiate any further action to evict the encroachers. For such continued offence, penalty upto Rs. 2.38 crore though leviable was not levied.

The case was reported to the department/Government between November, 2007 and April 2008; their reply has not been received (November 2008).

6.3 Non-realisation of revenue due to non-approval of working plan

Non-approval of the working plan for operation of cane led to non-realisation of revenue of Rs. 1.08 crore

The Supreme Court instructed (January 1998) that for scientific management of forests, working plans for extraction and operation of forest produce in all forest divisions should be prepared by the concerned division and approved by the Union Ministry of Environment and Forest within two years. Extraction of forest produce should be carried out strictly in accordance with the approved

10 Deomali, Dibang, Lohit, Namsai, and Pasighat.

working plan. The apex court also stipulated that in case a regular working plan is not prepared and got approved within the time frame, future felling will remain suspended.

To ensure the annual yield of cane on a sustained basis, the cane bearing areas are divided into four blocks. One block is operated in a year and put to rest for the subsequent three years, thus maintaining a cycle of four years keeping 25 *per cent* as reserve for supporting the clump as well as for the purpose of regeneration. Thus, non-extraction of cane hinders regeneration of new shoots and results in loss of revenue.

Test check of the records of DFO, Yingkiong forest division in March 2008 revealed that the division sent the draft working plan to the CCF (Working Plan) in September 2007 after a lapse of nine years which has not yet been approved. As a result, 9.98 lakh kaps[11] of cane remained un-extracted during the period from April 2003 to March 2008. Non-extraction of cane, thus, hindered regeneration of new shoots and resulted in non-realisation of revenue of Rs. 1.08 crore.

The case was reported to the department/Government in April 2008; their reply has not been received (November 2008).

6.4 Loss of revenue

6.4.1 Inaction of the Environment and Forest Department to take timely action to cancel the lease and re-settle it led to loss of revenue of Rs. 31.92 lakh

The Government of Arunachal Pradesh (GOAP), Environment and Forest (E and F) Department in their notification of March 2001 fixed royalty on tapping of resin from pine trees (pinus markusii) at Rs. 3 per blaze[12] per season.

Test check of the records of the DFO, Lohit Forest Division, Tezu in August 2007 revealed that in June 2000, the GOAP executed an agreement with a lessee for tapping of resin from pine trees for a period of 10 years. The agreement stipulated that the lessee shall be held responsible for any breach of the condition of the license and the license may be cancelled at the discretion of the Principal Chief Conservator of Forest (PCCF). In the event of cancellation of the license, the PCCF shall have the power, subject to the approval of the Government to grant license to any other party. Though 10.85 lakh pine trees (pinus markusii) with blazes were available for the extraction of pine resin for the period from April 2002 to March 2007, the lessee tapped

11 1 kap = 72 running feet.

12 Cut mark on the body of the trees through which resin is extracted.

21,260 trees only from April 2002 to September 2002 and unilaterally stopped the operations from October 2002. No action was initiated by the department to cancel the license and grant it to any other party. Thus, inaction on the part of the department led to loss of revenue of Rs. 31.92 lakh.

6.4.2 Absence of penal clause in the agreement led to loss of revenue of Rs. 12.07 lakh

The GOAP, E and F Department fixed royalty on pine resin from pine trees (Pinus Roxburghii) at Rs.17 per blaze per tapping season. The number of trees tapped and blazes put are enumerated by the departmental staff and royalty is realised on the total number of blazes put. The terms and conditions of the agreement entered into by the GOAP and three lessees during June 2000 did not provide any penal clause against the lessees in the event of their failure to put blazes on the entire stock of pine trees as per the approved working plan.

Test check of the records of the DFO, Bomdila in February 2008 revealed that 2.23 lakh pine trees (Pinus Roxburghii) with 2.29 lakh blazes were available for extraction of pine resin for the period from April 2006 to March 2007 as per the approved working plan. But the lessees tapped only 1.52 lakh trees with 1.58 lakh blazes during the aforesaid period. Balance 71,000 trees with 71,000 blazes were not tapped by the lessees for no recorded reason. The department could not initiate any action against the lessees in the absence of any penal clause in the agreement. Thus, execution of faulty agreement led to the loss of revenue of Rs. 12.07 lakh.

The cases were reported to the department/Government between November 2007 and April 2008; their reply has not been received (November 2008).

6.5 Non-realisation of revenue

Inaction of the department against orders of the Government led to non-realisation of revenue of Rs. 20.65 lakh

In Arunachal Pradesh, timber is operated departmentally and allotted to the wood based industries on prior realisation of the full value of the timber. The terms and condition of allotment of timber stipulate that every WBI is required to furnish an undertaking in writing to the effect that he is bound to take the departmentally operated timber as and when allotted by the Government.

Test check of the records of the DFO, Namsai forest division in August 2007 revealed that the division carried out departmental timber operation during 2001-02 and allotted 5,769.3557 cum of timber to a wood based industries after obtaining an undertaking in prescribed form. The wood based industries lifted 2,055.0136 cum of timber leaving a balance 3,714.3431 cum unlifted.

The balance timber was allotted to other wood based industries, of which, one wood based industries which was allotted 1,060.3601 cum, requested the PCCF in August 2004 to grant a rebate of 40 *per cent* as the logs were of soft species and had deteriorated in quality due to constant exposure to the vagaries of nature. The State Government ultimately allowed rebate of 35 *per cent* and directed the PCCF to realise the amount from the original allottee. Further scrutiny revealed that the rebate of Rs. 20.65 lakh was allowed to the wood based industries but no action was initiated to recover the amount from the original allottee till August 2007. This resulted in non-realisation of revenue of Rs. 20.65 lakh.

The case was reported to the department/Government in November 2007; their reply has not been received (November 2008).

6.6 Wrong fixation of upset price of timber

Wrong fixation of upset price by the department led to loss of revenue of Rs. 15.30 lakh

The upset price of seized[13] and drift timber[14] is calculated by adding 25 *per cent* departmental charges, Rs. 5 per cft as notional charges and three *per cent* contingency charges over the royalty on timber. However, in respect of trees felled and transported to the forest depot by the user agencies, only royalty is chargeable.

Test check of the records of the DFO, Deomali Forest Division in July 2007 revealed that a user agency extracted 2,303 logs measuring 854.834 cum and handed over to the DFO. The DFO converted the timber into six lots but wrongly fixed the upset price as Rs. 27.28 lakh at par with the seized and drift timber. Thereafter, though the lots were put to sale on five occasions, it evoked no response due to the high upset price. Ultimately, after approval of the PCCF, 468 logs valued at Rs. 6.85 lakh were settled (September 2005) with the wood based industries. Over the years, the remaining 1,835 logs lost their commercial value. A committee constituted in October 2007 recommended to write off the royalty value of Rs. 15.30 lakh of the deteriorated timber. Thus, due to wrong fixation of upset price, the department sustained loss of revenue of Rs. 15.30 lakh.

The case was reported to the department/Government in December 2007; their reply has not been received (November 2008).

13 Seizure of illicit timber felled by miscreants in a reserved forest.
14 Timber carried by river current.

6.7 Illicit removal of timber

Illicit removal of 319.895 cum of timber by the miscreants led to loss of revenue of Rs. 7.85 lakh

Under the Assam Forest Regulation (AFR) 1891 and the rules framed thereunder (as adopted by the GOAP), felling of trees and removal of forest produce from a reserve forest area without a valid pass constitutes a forest offence punishable with fine. Forest produce felled/removed illegally is also liable to be seized by the E and F Department. Protection of forest produce from illegal felling/removal is the primary responsibility of the department. The department has forest protection squads in the State to keep round the clock vigil in the forest areas to pre-empt illegal felling.

Test check of the offence register of three[15] forest divisions between August 2007 and January 2008 revealed that in 15 cases, trees of different species were illegally felled between December 2003 and November 2007 and the entire quantity of 319.895 cum of timber valued at Rs. 7.85 lakh was removed by the miscreants. The removal of timber by the miscreants from the state reserve forest indicates inadequate enforcement of forest protection. This resulted in loss of revenue of Rs. 7.85 lakh.

The cases were reported to the department/Government between November 2007 and April 2008; their reply has not been received (November 2008).

EXCISE DEPARTMENT

6.8 Non-realisation of renewal fee and penalty

Failure of the department to initiate action against nine retail licensees for non-renewal of licences led to non-realisation of renewal fee of Rs. 4.95 lakh and penalty of Rs. 5.09 lakh

Under the provisions of the Arunachal Pradesh Excise Rules 1994, a licence granted to a retail vendor shall expire after one year of the date of issue. Further, the Excise Department had instructed in March 1996 that if any retail vendor fails to renew the licence on payment of the renewal fee of Rs. 15,000 within the stipulated date, he shall be liable to pay, in addition to the renewal fee, a penalty of Rs. 50 per day for the period of default.

Test check of the records of the Superintendent of Excise (SE), Changlang in January 2008 revealed that nine retail licences for different periods between January 2004 and August 2008 were to be renewed on due dates falling between December 2003 and July 2007. However, the licensees did not renew

15 Dibang, Namsai and Pasighat.

their licences. The department also failed to realise renewal fee of Rs. 4.95 lakh and did not levy penalty of Rs. 5.09 lakh for non-payment of renewal fee.

After this was pointed out, the SE stated (February 2008) that all the retail licence holders had been directed to deposit renewal fee and penalty immediately. A report on recovery has not been received (November 2008).

The cases were reported to the Government in January 2008, their reply has not been received (November 2008).

6.9 Non-realisation of security deposit

Security deposit of Rs. 4.75 lakh was not realised from 19 retail licensees

The Excise Department in their notification of 23 March 2004 fixed, with immediate effect, a security of Rs. 25,000 for retail licences of Indian made foreign liquor (IMFL) and country liquor.

Test check of the records of four SEs,[16] between September 2007 and March 2008 revealed that 19 retail licence holders had not deposited the security amount of Rs. 4.75 lakh and no action was initiated by the department to realise it. This resulted in non-realisation of security deposit of Rs. 4.75 lakh.

After the cases were pointed out, the SE, Changlang stated in February 2008 that the retail licence holders were directed to deposit the security money immediately. A report on recovery and reply of other three SEs have not been received (November 2008).

The cases were reported to the Government/department in January 2008; their reply has not been received (November 2008).

6.10 Non-levy of penalty

For lifting and transportation of IMFL without permit, penalty of Rs. 4.40 lakh though leviable was not levied

The Arunachal Pradesh Excise Act, 1993, lays down that all retail licensees of IMFL are to obtain a licence from the authority for sale of IMFL. Under section 26 of the Act, all retail licensees are to obtain a permit from the Excise Department before lifting of IMFL consignment from the wholesale vends and transporting them to their licenced shops. Further, section 34 stipulates that if any person in contravention of the Act transports and sells any intoxicant or removes any intoxicant from any warehouse or other place of storage, he shall

[16] Aalo, Changlang, Pasighat, and Roing.

be liable to imprisonment for a term which may extend to two years or to a fine which may extend to Rs. 5,000 or both.

Test check of the records of the Commissioner of Excise (CE) in June 2007 revealed that 88 retail licensees did not obtain any permit from the Excise Department prior to lifting of IMFL from the whole sale vends and transporting them to their shop. The retail licensees had violated the provision of Excise Act and thus, became liable to pay penalty of Rs. 4.40 lakh besides imprisonment terms, none of which was imposed.

After the case was pointed out, the CE, while admitting the facts stated in August 2007 that the concerned SEs were directed to impose penalty on all the offenders. Further report on realisation of penalty has not been received (November 2008).

The case was reported to the Government in July 2007; their reply has not been received (November 2008).

GEOLOGY AND MINING DEPARTMENT

6.11 Non levy of additional royalty

Failure of the department to initiate action against two lessees for delayed payment of royalty led to non-realisation of additional royalty of Rs. 37.42 crore

The Petroleum and Natural Gas (PNG) Rules, 1959 envisage that if any royalty is not paid by the lessee to the State Government within the time specified for such payment, the amount of such royalty shall be increased by an additional 10 *per cent* for each month or portion thereof during which such royalty remains unpaid.

Test check of the records of the Directorate of Geology and Mining (DGM), AP, Itanagar in June 2007 revealed that the State Government executed a lease agreement in September 1997 with a lessee for extraction of crude oil. The agreement, inter alia, stipulated that the lessee should pay royalty to the State Government within 30 days of the month to which the production related. The lessee extracted 53,650.33 tonne of crude oil between January 2006 and January 2007 for which royalty of Rs. 14.99 crore was paid between May 2006 and March 2007 after delays ranging between one and five months. For the delay in payment of royalty, additional royalty of Rs. 2.97 crore though leviable was not levied and recovered by the department.

Similarly, another lessee extracted 3,18,570.38 tonne of crude oil involving royalty of Rs. 30.36 crore between June 1995 and March 2004 of which royalty of Rs. 16.28 crore was paid by the lessee and the balance royalty of

Rs 14.80 crore was paid belatedly between March and November 2004. For belated payment, additional royalty of Rs. 34.45 crore though leviable, was not levied and recovered by the department.

The cases were reported to the department/Government in August 2007; their reply has not been received (November 2008).

6.12 Short realisation of royalty

Faulty agreement resulted in extension of undue benefit to a lessee and short realisation of royalty of Rs. 15.46 crore

The Government of India (GOI) periodically determines the royalty payable on minerals which is collected and appropriated by the State Government. In terms of provisions of the PNG Rules, an agreement is to be executed between the lessee and the State Government stipulating, inter alia, that the lessee shall pay to the State Government royalty at the rate prescribed by the GOI from time to time. The rates of royalty prescribed by the GOI during the period January 2006 to January 2007 varied between Rs. 2,474 and Rs. 3,196 per tonne.

Test check of the records of the DGM, AP in June 2007 revealed that a mining lease agreement was executed on 21 October 1997 between a lessee and the State Government fixing royalty at Rs. 528 per tonne of crude oil for a period of 20 years effective from 16 June 1995 without any reference to the prevalent rates of royalty. The lessee extracted 69,255.8663 tonnes of crude oil between January 2006 and January 2007 and paid royalty of Rs. 3.66 crore at the rate of Rs. 528 per tonne against Rs. 19.12 crore leviable at the rate prescribed by the GOI during the aforesaid period. Thus, incorporation of fixed rate of royalty instead of prevalent rates as notified by the GOI, in the agreement as was done in the agreement entered into with M/s Oil India Limited, a public sector undertaking, resulted in short realisation of revenue of Rs. 15.46 crore.

The case was reported to the department/Government in August 2007; their reply has not been received (November 2008).

6.13 Short realisation of royalty on boulders

Short realisation of royalty by Rs. 10.77 lakh due to incorrect application of rate

The Government of Arunachal Pradesh in their addendum of 18 March 2006 enhanced the rate of royalty on boulders from Rs. 79 per cum to Rs. 110 per cum with immediate effect.

Test check of the records of the DGM, AP in June 2007 revealed that between May 2006 and February 2007, 34,714.55 cum boulders were extracted and utilised in works by the contractors under four user agencies[17]. The user agencies, however, realised royalty of Rs. 27.42 lakh from the contractors at the pre-revised rate instead of Rs. 38.19 lakh calculated at the rate of Rs. 110 per cum. No action was initiated by the DGM to recover the balance royalty of Rs. 10.77 lakh either from the user agencies or from the concerned contractors.

The case was reported to the department/Government in August 2007; their reply has not been received (November 2008).

STATE LOTTERY DEPARTMENT

6.14 Non-forfeiture of unclaimed prize money

Unclaimed prize money of Rs. 49.91 crore remained out of Government accounts due to non-inclusion of penal/deterrent clause in the agreement

Under the AP State Lottery Rules, 2001, all unclaimed prize money shall be the property of the State Government. The Government of Arunachal Pradesh executed agreements with four distributors between December 2005 and February 2006 for organising paper lottery. Clause 9 of the agreements stipulates that all unclaimed prize money shall be deposited with the Government by the distributor upon the settlement of the account which shall be submitted by the distributor to the Government for each draw on or before the 60th day from the date of holding of the respective draw. No penal/deterrent clause was included in the agreement for default in depositing the unclaimed prize money to the Government.

Test check of the records of the Secretary, State Lottery Department, AP in December 2007 revealed that in respect of 591 draws conducted by four distributors between 26 June 2006 and 12 August 2007 prize money totalling Rs. 49.91 crore remained unclaimed. But even after expiry of the stipulated period of 60 days from the date of holding the draws, the unclaimed prize money was neither deposited by the distributors nor was any action taken by the department to recover and forfeit the unclaimed amount. No penal action against the distributors could be initiated by the department due to non-inclusion of a penal clause in the agreement. This resulted in non-realisation of revenue of Rs. 49.91 crore.

After this was pointed out, the department while admitting the facts stated in May 2008 that the distributors had been directed to deposit the unclaimed

[17] Public Health Engineering, East Kameng, Pasighat; Irrigation and Flood Control, Daporijo, Papumpare, Tawang, Ziro; Executive Engineer, Public Works Department, Upper Siang, Yingkiong and Border Roads Task Force, Tezu.

prize money of Rs. 49.91 crore. A report of deposit of unclaimed amount has not been received (November 2008).

The case was reported to the Government in February 2008; their reply has not been received (November 2008).

6.15 Non-realisation of licence fee

Inaction of the department to levy licence fees on 42 retailers led to non-realisation of revenue of Rs. 8.62 lakh

Under the provisions of the AP State Lottery (amended) Rule 2005, all the retailers dealing with lotteries (including on-line lotteries) of other state Governments within the State of AP, were liable to pay a lumpsum amount of Rs.2000 as licence fee per terminal per month with effect from 24 November 2005.

Test check of the records of the Secretary, State Lottery Department, AP in December 2007 revealed that 42 retailers of three districts[18] were engaged in the business of other State Government lotteries. The retailers neither paid license fee for the period from December 2005 to November 2007 nor was any action taken by the department to levy and realise it. Thus, laxity on the part of the department led to non-realisation of license fee of Rs. 8.62 lakh.

The case was reported to the department/Government in February 2008; their reply has not been received (November 2008).

TAXATION DEPARTMENT

6.16 Non-realisation of revenue due to non-registration of Government department

Non-registration of forest divisions resulted in non-realisation of revenue of Rs. 33.09 lakh on sale of timber

Under the Arunachal Pradesh Goods Tax Act, 2005, a dealer means a person who buys, sells, supplies or distributes goods for cash or deferred payment and includes all departments of the Central Government or a State Government if it sells, supplies or distributes goods in the course of specified activities. Further, under section 19 (i) of the Act, every dealer liable to pay tax is required to be registered under the Act. In Arunachal Pradesh, timber is taxable at the rate of 12.5 *per cent*.

18 Lower Subansiri, Papumpare and East Kameng.

Cross check of the records of five DFOs[19] with those of four[20] Superintendent of Taxes (ST) between September 2007 and March 2008 revealed that the forest divisions sold 6,945.4208 cum of timber valued at Rs.2.65 crore between April 2005 and March 2007 to the saw mills and wood based industries within the state. The DFOs neither applied for registration nor paid any tax on the aforesaid sale of timber. The AOs also did not initiate any action to get these divisions registered and collect the tax. This resulted in non-realisation of revenue of Rs. 33.09 lakh.

After the case was pointed out, the ST, Roing stated in January 2008 that the concerned DFO was requested to get the division registered and deposit the due tax. Further report on registration and recovery of tax and reply in respect of the other three STs have not been received (November 2008).

The cases were reported to the Government between November 2007 and April 2008; their reply has not been received (November 2008).

6.17 Evasion of tax by the unregistered dealers

Failure to register 15 dealers and non-deduction of tax at source led to evasion of tax of Rs. 1.77 crore for which maximum penalty of Rs. 33.97 lakh was also leviable

Under the Arunachal Pradesh Sales Tax (APST) Act, 1999, no dealer liable to pay tax, shall carry on business unless he has been registered and possesses a certificate of registration. The Act empowers the AO to register a dealer if he fails to apply for registration. The Act also provides for deduction of tax at source in case of purchase of taxable goods by a Government department. If a dealer being liable to pay tax fails to get himself registered, he is liable to pay penalty in addition to tax payable by him, a sum not exceeding the amount of assessed tax.

Further under section 19 of the APGT Act, every dealer whose turnover exceeds the taxable quantum is required to apply for registration and to be registered under the Act. Where a person who is required to be registered under the Act has failed to apply for registration within one month from the day on which the requirement arose, the person is liable to pay, by way of penalty, an amount equal to Rs. 1,000 per day subject to a maximum of Rs. 1 lakh. The Act, however, does not have any provision for deduction of tax at source in case of purchase of taxable goods by a Government department.

6.17.1 Cross verification of the records of the Directorate of Social Welfare (DSW), Naharlagun with those of the ST, Zone-I and Zone-II, Naharlagun and

[19] Aalo, Likabali, Pasighat, Roing and Tezu.
[20] Aalo, Pasighat, Roing and Tezu.

Itanagar in June 2007 revealed that 10 unregistered dealers sold taxable goods valued at Rs. 13.24 crore to DSW between May 2006 and January 2007. The dealers neither applied for registration nor were they registered by the AO as required under the Act. The purchasing department also did not deduct tax at source due to non-issue of notification in this regard by the Government under the APGT Act. This resulted in evasion of tax of Rs. 1.46 crore. Besides, penalty of Rs. 10 lakh was also leviable.

6.17.2 Cross check of the records of the Directorate of Health Services (DHS), Naharlagun with those of the ST, Zone-I, Naharlagun in June 2007 revealed that two dealers sold taxable goods valued at Rs. 2.87 crore to the DHS in March 2005. The dealers neither applied for registration nor was any action taken by the AO to get these dealers registered as required under the Act. Tax was also not deducted by the DHS at the time of making the payment. This resulted in evasion of tax of Rs. 12.73 lakh. Besides, penalty of Rs. 12.73 lakh was also leviable.

After the case was pointed out, the ST stated in October 2007 that the matter has been taken up with DHS for realisation of tax. A report on recovery has not been received (November 2008).

6.17.3 Cross check of the records of the Geology and Mining Department, AP with those of the ST, Ziro in June 2007 revealed that a dealer supplied sand and stone valued at Rs. 64.66 lakh between January 2005 and January 2007 to the National Hydroelectric Power Corporation (NHPC). The dealer neither applied for registration nor paid tax on the aforesaid sale of sand and stone. The ST, Ziro also did not initiate any action to get the dealer registered and realise tax. This resulted in non-realisation of revenue of Rs. 8 lakh and penalty of Rs. 8 lakh.

After the case was pointed out, the ST stated in August 2007 that the dealer was asked to deposit the tax. A report on recovery has not been received (November 2008).

6.17.4 Test check of the records of the ST, Zone-I, Naharlagun in June 2007 revealed that a dealer applied for registration in July 2006 but no action was initiated by the AO to register the dealer. Verification of the records of the Directorate of Social Welfare (DSW), Naharlagun revealed that the dealer sold goods valued at Rs. 1.76 crore between February and August 2006. The dealer neither submitted any return nor paid tax to the AO. Thus, delay in registration of the dealer had resulted in evasion of tax of Rs. 7.02 lakh.

6.17.5 Cross check of the records, of the EE, Tawang Public Works Division (PWD), Tawang with those of the ST, Bomdila in February 2005 revealed that a dealer executed works contract valued at Rs. 80.94 lakh during March 2004. The dealer neither applied for registration nor was he registered by the AO as required under the Act. The amount of tax was also not deducted by the PWD at the time of making payment. This resulted in evasion of tax of Rs. 3.24 lakh. The dealer was also liable to pay penalty of Rs. 3.24 lakh.

After the case was pointed out, the ST while admitting the facts stated in March 2008 that the matter had been taken up with the EE, PWD, Tawang. A report on recovery has not been received (November 2008).

The cases were reported to the department/Government between August 2007 and March 2008; their reply has not been received (November 2008).

6.18 Underassessment of tax

Non-inclusion of excise duty in sale price of IMFL led to underassessment of tax of Rs. 21.80 lakh

Under the APGT Act, 'sale price' means the amount paid or payable as valuable consideration for any sale. In May 2005, the Commissioner of Taxes, AP clarified that all duties and fees levied under the AP Excise Act shall form part of the sale price. In Arunachal Pradesh, IMFL is taxable at the rate of 20 *per cent.*

Test check of the records of the ST, Pasighat, Roing and Tezu between September 2006 and October 2007 revealed that 10 wholesale vends sold 99,978 cases of IMFL between April 2005 and March 2007 and disclosed sale price of Rs. 6.17 crore and paid tax of Rs. 1.23 crore on the turnover without including the element of excise duty of Rs. 1.09 crore collected from the purchasers. Since excise duty forms part of the sale price as per the aforesaid clarification, the sale price should have been determined at Rs. 7.26 crore instead of Rs. 6.17 crore. This resulted in underassessment of tax of Rs. 21.80 lakh.

The cases were reported to the department/Government between November and December 2007; their reply has not been received (November 2008).

6.19 Evasion of tax by the registered dealers under the APGT Act

Two dealers concealed turnover of Rs. 1.08 crore and evaded tax of Rs. 13.22 lakh for which penalty of Rs. 13.22 lakh was leviable

Under the provisions of the APGT Act, if a dealer conceals the particulars of his turnover in his return, he shall pay by way of penalty, in addition to the tax payable by him, sum of Rs. 1 lakh or the amount of tax deficiency, whichever is greater.

Test check of the records of the ST, Zone-I and Zone-II, Naharlagun and Itanagar in June 2007 revealed that two dealers sold taxable goods valued at Rs. 1.22 crore between October 2005 and August 2006 to two Government departments[21] and realised tax of Rs. 14.96 lakh from them. The dealers, however, disclosed turnover of Rs. 13.88 lakh only in their returns and paid tax of Rs. 1.74 lakh. The dealers thus, concealed turnover of Rs. 1.08 crore and evaded tax of atleast Rs. 13.22 lakh. Besides, for submission of false return, penalty of atleast Rs. 13.22 lakh was also leviable.

After the case was pointed out, the ST, Zone-II stated in September 2007 that the dealer had been directed to pay the tax and penalty of Rs. 13.22 lakh. A report on recovery of dues and reply in respect of the dealer of Zone-I has not been received (November 2008).

The case was reported to the Government in August 2007; their reply has not been received (November 2008).

6.20 Concealment of turnover

A dealer evaded tax of Rs. 5.73 lakh by concealing turnover of Rs. 47.78 lakh. Besides, penalty and interest of Rs. 8.60 lakh and Rs. 6.71 lakh respectively was also leviable

Under the provisions of the APST Act, if a dealer conceals any part of his turnover or furnishes incorrect particulars of such turnover in his return, he is liable to pay, in addition to the tax, penalty not exceeding one and a half times the tax due. Further, if a dealer fails to pay the full amount of tax due within the specified time, he shall be liable to pay simple interest ranging between 12 and 24 *per cent* per annum for the period of default on the amount of tax short paid.

Test check of the records of the ST, West Siang District, Aalo in March 2008 revealed that a dealer dealing in electronic goods disclosed turnover of Rs. 4.80 lakh during 2002-03 which was accepted by the assessing officer (AO) and was assessed accordingly in April 2003. Further scrutiny of the case records of the dealer under the Central Sales Tax (CST) Act,1956 revealed that the dealer imported electronic goods from a dealer registered in Unit-C, Guwahati, Assam valued at Rs. 47.78 lakh by utilising one declaration in form 'C'. Thus, the dealer concealed turnover of Rs. 47.78 lakh and evaded tax of Rs. 5.73 lakh. For evasion of tax, maximum penalty of Rs. 8.60 lakh and interest of Rs. 6.71 lakh was also leviable but was not levied.

21 Director of Social Welfare and Executive Engineer, Public Health Engineering, Itanagar.

The case was reported to the department/Government in April 2008; their reply has not been received (November 2008).

6.21 Non-levy of penalty

A dealer evaded tax of Rs. 3.39 lakh including interest for import of goods not covered by certificate of registration for which maximum penalty of Rs. 2.64 lakh was also leviable

Under Section 10 (b) of the CST Act, if any registered dealer falsely represents when purchasing any class of goods that goods of such class are covered by his certificate of registration, the AO may, after giving such person a reasonable opportunity of being heard, direct that he shall pay by way of penalty a sum not exceeding one and half times the amount of tax which would have been levied under Section 8(2) of the Act in respect of sale of goods to him.

Test check of the records of the ST, West Siang District, Aalo in March 2008 revealed that a dealer dealing in automobile spare parts, GI pipes etc, disclosed turnover of Rs. 5.92 lakh during 2003-04 and the AO accepted the returns and assessed the dealer accordingly in October 2005. Verification of the records of a dealer registered in Unit 'A', Guwahati revealed that the dealer registered in Aalo imported packed food valued at Rs. 14.65 lakh by utilising one declaration in form 'C' during the aforesaid period which was not covered by his certificate of registration. Further, this transaction was neither disclosed by the dealer in his return nor assessed by the AO. The dealer thus, falsely represented when purchasing goods that the goods were covered by his certificate of registration. The dealer thus, evaded tax of Rs. 3.39 lakh including interest. Besides maximum penalty of Rs. 2.64 lakh was also leviable.

The case was reported to the department/Government in April 2008; their reply has not been received (November 2008).

CHAPTER – VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

CHAPTER – VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

7 General

This chapter deals with the results of audit of Government companies and departmentally managed commercial undertakings. Paragraphs 7.1.1 to 7.1.14 give an overview of Government companies and departmentally managed commercial undertakings. Paragraphs 7.2 to 7.7 deal with miscellaneous topics of interest.

7.1 Overview of Government companies and departmentally managed commercial undertakings

7.1.1 *Introduction*

As on 31 March 2008, there were five Government companies (three working companies and two non-working companies[1]) and two departmentally managed commercial undertakings viz., State Transport Services[2] and State Trading Scheme as against same number of Government companies and departmentally managed commercial undertakings as on 31 March 2007 under the control of the State Government. The results of audit of the Power (Electricity) Department are also incorporated in this chapter. The accounts of Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The accounts of departmentally managed commercial undertakings are audited by the CAG under Section 13 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Working Public Sector Undertakings (PSUs)

7.1.2 *Investment in working Government companies*

As on 31 March 2008, the total investment in three working Government companies was Rs. 18.11 crore[3] (equity Rs. 9.07 crore and long term

1 *Non working Government companies are those that are in the process of liquidation/ closure/merger, etc.*

2 *These undertakings prepare Proforma Accounts*

3 *State Government investment was Rs. 16.21 crore (others :Rs.1.90 crore). Figure as per Finance Accounts 2007-08 is Rs.8.01 crore. The difference is under reconciliation.*

loan[4]:Rs. 9.04 crore) as against total investment of Rs. 16.18 crore (equity : Rs. 9.04 crore and long term loans : Rs. 7.14 crore) in three working PSUs (Government companies) as on 31 March 2007.

The summarized statement of Government investment in the working Government companies in the form of equity and loan is given in **Appendix-7.1**.

As on 31 March 2008, the total investment in working Government companies, comprised 50.08 *per cent* of equity and 49.92 *per cent* of loans as compared to 55.87 *per cent* and 44.13 *per cent* respectively as on 31 March 2007.

7.1.3 *Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity*

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues, and conversion of loans into equity by the State Government to working Government companies are given in **Appendices – 7.1 and 7.3**.

The budgetary outgo in the form of grant/subsidy from the State Government to Arunachal Pradesh Forest Corporation Limited was Rs 20 lakh during 2007-08. The Government did not give any guarantee to any company for the loan taken during the year. As at the end of 31 March 2008, the guarantee amounting to Rs. 96.62 lakh against Arunachal Pradesh Industrial Development and Financial Corporation Limited was outstanding.

7.1.4 *Finalisation of accounts by working PSUs*

Accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year.

It can be seen from **Appendix- 7.2** that none of the three working Government companies had finalised their accounts for the year 2007-08 within the stipulated period.

The accounts of all the three working companies were in arrears for periods ranging from one to 14 years as on 30 September 2008 as detailed below:

4 *Long term loans mentioned in the para 7.1.2 and 7.1.8 are excluding interest accrued and due on such loans.*

Table 7.1

Sl. No.	Number of working Government companies	Year from which accounts are in arrears	Number of years for which accounts are in arrear	Reference to Sl. No. of Appendix-II
1.	1	2007-08	1	1
2.	1	1999-2000 to 2007-08	9	3
3.	1	1994-95 to 2007-08	14	2

The State Government had invested Rs. 8.57 crore (equity: Rs. 1.52 crore; loans: Rs. 0.15 crore; and grant/subsidy Rs. 6.90 crore) in three working companies during the years for which accounts have not been finalized as detailed in **Appendix- 7.4**. In the absence of timely finalization of accounts and their audit, it can not be ensured whether the investment and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such companies remain outside the scrutiny of the Legislature. Further, delay in finalization of accounts may also result in risk of fraud and leakage of public money apart from violation of provisions of the Companies Act, 1956.

It is the responsibility of the Administrative Departments to oversee and ensure that the accounts are finalised and adopted by the companies within prescribed period. Though the concerned Administrative Departments and officials of the Government were appraised quarterly by the Audit regarding arrears in finalisation of the accounts, no effective measures have been taken by the Government and, as a result, the net worth of these Government companies could not be assessed in audit.

7.1.5 Financial position and working results of working Government companies

The summarised financial results of working Government companies as per their latest finalised accounts are given in **Appendix – 7.2**. According to the latest finalised accounts of three working Government companies all the three companies had incurred an aggregate loss of Rs. 4.77 crore.

7.1.6 Loss incurring working Government companies

Out of the three loss incurring working Government companies, Arunachal Pradesh Industrial Development Financial Corporation Limited had accumulated losses of Rs. 19.02 crore which has eroded its paid up capital of Rs. 2.15 crore.

7.1.7 Return on capital employed

As per the latest annual accounts finalised upto September 2008, the capital employed[5] worked out to Rs. 50.03 crore and total return[6] thereon amounted to Rs. (-) 4.77 crore as compared to Rs. 49.64 crore and total return of Rs. (-) 3.87 crore respectively in the previous year. The details of capital employed and total return on capital employed in case of working Government companies are given in **Appendix – 7.2**.

Non-working Government companies

7.1.8 Investment in non-working Government companies

As on 31 March 2008, the total investment in two non-working Government companies was Rs. 3.15 crore (equity: Rs. 0.42 crore and long term loans: Rs. 2.73 crore). There was no change in the total investment as compared to 2006-07.

The plants of both the non-working Government companies remained inoperative from December 1986 and July 1987 and all the employees had been retrenched. The proposals for disposal of assets (including plant and machinery) of the companies were pending for long with the Government.

7.1.9 Finalisation of accounts of non-working Government companies

The accounts of both the non-working companies were in arrear for periods ranging from 20 to 24 years as on 30 September 2008 as can be seen from **Appendix – 7.2**.

7.1.10 Financial position and working results of non-working Government companies

The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Appendix – 7.2**.

The summarised details of paid-up capital, net worth, cash loss and accumulated loss of one non-working Government company (Sl. No.4 of **Appendix – 7.2**) as per its latest finalised accounts are given below while the other non-working Government company (Sl. No.5 of **Appendix – 7.2**) was in construction stage, at the time of closure of its activities.

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5 *Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in case of Arunachal Pradesh Industrial Development and Financial Corporation Limited, where it represents a mean of aggregate of opening and closing balances of paid-up-capital, free reserves and borrowings (including refinance).*

6 *For calculating total return on capital employed, interest on borrowed fund is added to net profit/subtracted from the loss as disclosed in profit and loss account.*

Table 7.2

(Rupees in lakh)

Year	Paid-up capital	Net worth[7]	Cash loss[8]	Accumulated loss
1987-88	23.50	66.71	11.49	32.09

7.1.11 Response to inspection reports, draft paragraphs and reviews

Observations made during audit and not settled on the spot are communicated to the heads of the companies and concerned Departments of State Government through inspection reports. The heads of the offices/companies are required to furnish replies to the inspection reports through respective Heads of Departments within a period of six weeks. Inspection reports issued upto March 2008 pertaining to seven Government companies/departmental commercial undertakings and Power (Electricity) Department disclosed that 376 paragraphs relating to 55 inspection reports remained outstanding at the end of March 2008. Of these, 16 Inspection reports containing 68 paragraphs had not been replied to for more than three years. Department-wise break-up of Inspection reports and audit observations outstanding as on 31 March 2008 is given in **Appendix – 7.5**.

Similarly, draft paragraphs on the working of the Government companies and departmentally managed commercial undertakings are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. One review and one draft paragraph which were forwarded to the Department of Power and Department of Hydro Power during July 2008 and June 2008 respectively as detailed in **Appendix-7.6** has not been replied to so far (October 2008).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time bound schedule and (c) system of responding to audit observations is revamped.

7.1.12 Position of discussion of commercial chapter of Audit Report by the Committee on Public Undertakings (COPU) / Public Accounts Committee (PAC)

The position of reviews/paragraphs of Commercial Chapter of Audit Reports discussed in COPU/PAC as on 31 March 2008 was as follows:

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7 *Net worth represents paid up capital plus free reserves less accumulated loss.*

8 *Cash loss represents loss for the year less depreciation for the year.*

Table 7.3

Period of Audit Reports	Total number of reviews/ paragraphs appeared in Audit Report		Number of reviews/paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
(1)	(2)	(3)	(4)	(5)
1987-1988	2	2	2	1
1988-1989	-	3	-	2
1989-1990	-	1	-	-
1991-1992	-	4	-	3
1994-1995	-	5	-	3
1995-1996	-	2	-	1
1996-1997	-	5	-	3
1997-1998	-	4	-	3
1998-1999	1	4	-	-
1999-2000	1	4	-	-
2000-2001	-	6	-	3
2001-2002	1	7	-	4
2002-2003	-	4	-	3
2003-2004	1	4	-	-
2004-2005	-	3	-	-
2005-2006	-	3	-	-
2006-2007	1	5	-	-
Total	7	66	2	26

7.1.13 Departmentally managed Government commercial and quasi-commercial undertakings

Though the State Transport Services and the State Trading Scheme (Central Purchase Organisation) of Directorates of Transport and Supply are commercial in nature and are functioning as such, they had not been declared as commercial organisations by the Government (September 2008).

Preparation of Proforma Accounts of the State Transport Services for 2006-07 and 2007-08 and of the State Trading Scheme for 2002-03 to 2007-08 were in arrears. The arrears in finalisation of accounts was last brought to the notice of the Government in September 2008.

The financial position, working results and operational performance of the State Transport Services for the three years upto 2006-07 as per provisional accounts are given in **Appendix – 7.7**.

The operating loss showed an increasing trend and was Rs. 30.05 crore during the year 2006-07 as against Rs. 16.50 crore during the previous year. The accumulated loss stood at Rs. 203.94 crore which was 96.63 *per cent* of capital of Rs. 211.05 crore. As analysed in audit, the losses were attributable to high incidence of operating expenditure which increased from Rs. 25.07 crore in 2005-06 to Rs. 40.21 crore in 2006-07; poor load factor due to low density of population; concession to students and staff; operation on un-economic routes; competition from private bus/sumo operators and high percentage of off-road vehicles.

The working results of the State Trading scheme for the three years upto 2001-02 as per finalised accounts are given in **Appendix – 7.8**. With effect from September 1975, the selling price of each commodity had been fixed by adding 30 *per cent* to cost price to cover the overhead charges.

During the three years upto 2001-02, the actual overhead charges worked out to a higher percentage as follows:

Table 7.4

(Rupees in lakh)

		1999-00	2000-01	2001-02
1.	Overhead charges (items (b) and (c) of trading expenses)	263.64	216.40	390.95
2.	Cost of procurement (opening stock plus purchases less closing stock)	399.17	396.57	239.59
3.	Percentage of overhead cost to cost of procurement (percentage of 1 to 2)	66.05	54.57	163.17

The reasons for higher percentage of overhead charges to cost of procurement was attributable to high incidence of establishment and contingent charges which alone constituted 49.08 *per cent*, 50.99 *per cent* and 121.79 *per cent* of cost of procurement during the three years respectively.

7.1.14 Power (Electricity) Department

The operational performance of the Department for the last three years up to 2007-08 is given in **Appendix – 7.9**.

The transmission and distribution (T&D) losses ranged from 33.97 to 43.63 *per cent* to total power available for sale as against the norms of 15.5 *per cent* fixed by the Central Electricity Authority (CEA). During three years up to 2007-08, the excess T&D loss beyond norm was 352.08 MU.

Section 'B' Paragraphs

Power Department

7.2 Implementation of Rural Electrification Schemes

The objective of electrification of all villages by March 2007 failed in the planning and sanction stage itself as the Department did not formulate any plan to cover all unelectrified villages and also did not make any efforts to get funds for the same. The Department incurred Rs. 5.04 crore without achieving the target of electrification of 24 villages under Pradhan Mantri Gramodaya Yojana. Due to deficient selection of 27 villages, without considering the availability of source of power supply, the expenditure of Rs. 4.94 crore on electrification remained unfruitful.

7.2.1 The Government of India (GOI) launched (May 2001) Pradhan Mantri Gramodaya Yojana (PMGY) with the objective of providing cent *per cent* electrification of villages by March 2007. The programme was to be implemented by the Department of Power as Implementing Agency of the State Governments. To accelerate the pace of rural electrification, GOI launched (March 2005) the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) as a new comprehensive programme which aimed at electrifying all villages and habitation and providing all Rural Households (RHHs) access to electricity by March 2012.

The GOI designated the Rural Electrification Corporation Limited (REC) as the nodal agency to coordinate and achieve the goal of electrification of villages/hamlets and finance the projects. Accordingly, a bipartite agreement was entered (24 August 2005) into between REC and the State Government prescribing the terms and conditions of funds flow as also implementation modalities.

7.2.2 The records relating to implementation of Rural Electrification (RE) schemes were test checked in audit during June/July 2008 with a view to assess the performance of the Department in implementation of RE programmes during 2002-03 to 2007-08 and its achievements with reference to the targets set out in the programme. The records of Chief Engineer (Power) office and seven[1] Electrical Divisions (estimated cost: Rs. 31.05 crore) out of 16 divisions (estimated cost: Rs. 62.73 crore) were examined. The Audit findings are discussed in the succeeding paragraphs.

[1] *Capital Electrical Division, Naharlagun Electrical Division, Tawang Electrical Division, Ziro Electrical Division, Along Electrical Division, Yiangkiang Electrical Division and Pasighat Electrical Division.*

Release of funds

7.2.3 As per guidelines (17 September 2001) of Ministry of Power (MOP)/Planning Commission, the plan for the programme was to be formulated by the State Government and submitted to MOP latest by 15 May every year after approval of the State Level Monitoring Committee. The funds were to be released in two installments by Ministry of Finance (MOF) every year under Rural Electrification (PMGY) as a combination of grants at 90 *per cent* and balance 10 *per cent* as soft loan. Funds, however, were released under RE - Minimum Needs Programme (MNP) as 100 *per cent* loan. RGGVY Scheme was to be implemented by the State Governments through their Utilities on turnkey contracts basis. Funds for the project were to be made available by REC to State Government with 90 *per cent* capital subsidy and 10 *per cent* loan on the over all cost of the projects. Execution of each project was to be completed by Department within two years failing which the capital subsidy was to be converted into interest bearing loan.

The general terms and conditions of MOP (September 2001) for utilization of funds, *inter alia*, stipulated that:

- The State Government shall release funds to the Implementing Agency within one month of release of funds by MOF;
- Implementing Agency shall open a separate and single bank account for the funds received under the programme. The interest earned on this account will not be diverted to any other programme;
- The funds received under RE(MNP)/PMGY shall not be diverted for other purposes either by the State Government or Implementing Agency.
- The submission of utilisation certificate along with physical progress report for the previous year was necessary for release of the first installment in the next financial year. For release of the second installment, submission of audited accounts of scheme for the previous year was required.

The State Government approved a total outlay of Rs. 73.66 crore for seven schemes under RE (MNP)/PMGY/PM's Package during the period between 2001-02 and 2004-05 for electrification of 402 villages in 16 districts in Arunachal Pradesh. The GOI released funds to the tune of Rs. 62.73 crore as detailed in **Appendix-7.10** during the period between November 2000 and March 2005 which was released by the State Government to the Department during the period between November 2002 and March 2005. The entire amount was spent by the department up to March 2008.

It was noticed in audit that:

- The State Government released funds to the tune of Rs. 62.73 crore to the Department after delays of 4 to 21 months from the date of receipt of funds from MOF in violation of the terms and conditions of release of funds. Thus, the State Government diverted such funds for various other purposes and released funds at the fag end of the financial year.

- The Department had not opened a separate bank account on receipt of funds for RE works under RE(MNP)/PMGY.
- The Department did not submit utilization certificates in time as stipulated in the scheme. Utilisation Certificates for the year 2001-02 and 2002-03 were submitted to State Government with a delay of one to two years. Audited accounts were not submitted for any scheme.

Diversion of Funds

- Pasighat Electrical Division incurred an expenditure of Rs. 34.45 lakh on salary and wages of staff, Rs. 7.66 lakh on maintenance and other works, Rs. 2.51 lakh on purchase of petrol, Rs. 1.63 lakh on purchase of computer, Rs. 1.33 lakh on repair of transformer and Rs. 0.86 lakh on telephone bills, etc and charged to MNP and PMGY during 2003-04.
- Similarly, Yingkiang Electrical Division incurred an expenditure of Rs. 7.52 lakh on salaries and wages of the staff under PMGY scheme (2002-03). Further, the Division incurred an expenditure of Rs. 16.83 lakh towards wages during 2003-04 and booked the same under MNP during that year.
- Along Electrical Division also incurred an expenditure of Rs. 4.27 lakh on purchase of vehicle and charged to MNP 2001-02. Further, the Department instructed (March 2004) the Division to incur 15 *per cent* of the scheme towards wages. As such, Rs. 25.14 lakh was appropriated towards wages.

Thus, an amount of Rs. 1.02 crore was diverted and utilized for the purpose not envisaged in the sanctioned schemes and was unauthorized and irregular.

The Department stated (November 2008) that the electrification work was being done departmentally and hence the payments of wages were charged to staff and the other expenditure also related to works under electrification works. The department did not maintain records for the works carried out departmentally and as such the reply was not susceptible for verification.

Guidelines for PMGY scheme

7.2.4 The mandatory guidelines issued by MOP for PMGY scheme, *inter alia,* included the following:

- The State Government would constitute a State Level Monitoring Committee for monitoring electrification of villages under PMGY schemes and ensure electrification of all villages in the State by the end of the Tenth Plan. The State Government would also constitute a District Level Committee for coordinating and implementing the programme at the District level.

- The State and District Level Committees would evolve suitable mechanism for independent verification of works. The MOP would also get an independent verification done. This would include sample check.
- The list of villages/basties being electrified must be made available to the MP/MLA as well as District/Block/Village levels institutions and a certificate in confirmation thereof would be sent to the MOP along with the utilisation certificate.
- It shall be the responsibility of the implementing agency to ensue that the work done and all the materials utilized in the same conform to the prescribed specification and the works would be completed without time and cost overrun.

The following deficiencies were found in the compliance of above guidelines:

- Periodical meetings of the State level Monitoring Committees were not held to monitor the implementation of the schemes. The District level Committees were not constituted.
- Huge variations in procurement of critical and major components like poles, stay sets, etc. were found. Utilization of materials was not as per specifications and wide variations in specified quantity *vis-à-vis* actual quantity utilized were found. (paragraph 7.2.19)
- Independent verification of works and sample check was not carried out in respect of PMGY schemes. Certificates from the Gram Panchayat were not furnished along with the completion report of village electrification.
- Lists of electrified villages/basties were not furnished to MP/MLA as well as District/Block/Village level institutions and a certificate in confirmation thereof was also not sent to the MOP along with the utilisation certificate.

The Department stated (November 2008) that District level committees could not be constituted though efforts were made in this regard. Payments to suppliers were made as and when funds were made available and the liabilities were bound to be incurred. Cost of procurement could not be maintained due to cost variation/escalation. Certificates from local bodies for all the villages electrified could not be obtained though efforts were made in this regard.

The reply is not acceptable as in the absence of monitoring committees the implementation of these schemes could not be monitored effectively. Funds were released by the GOI/State Government as per the sanctioned estimates. The fact remains that the Department failed to obtain certificate of electrification of villages even after lapse of three years of completion of all schemes. However, the Department did not furnish any reasons for non opening of separate bank account and delay in submission of utilisation certificates.

Implementation of the Programme

Pradhan Mantri Gramodaya Yojana (PMGY)

7.2.5 The State Government approved Rs. 33.33 crore for electrification of 181 villages during 2001-02 to 2004-05. The target was revised to 160 villages due to discontinuation of the scheme in March 2005. As against sanction of Rs. 33.33 crore, only Rs. 27.36 crore was released by the GOI/State Government. As against revised target of 160 villages, only 127 villages were electrified.

Audit scrutiny revealed that 54 villages were to be electrified under PMGY 2004-05 at an estimated cost of Rs. 10.80 crore. Since the PMGY scheme was discontinued, the target was revised to 33 villages with the allotted funds of Rs. 6.84 crore. The work was continued up to March 2006. However, only nine villages were electrified though the entire allotted amount of Rs. 6.84 crore was spent. Thus, there was no effective monitoring mechanism in place to watch the expenditure incurred on the scheme.

Minimum Need Programme (MNP)

7.2.6 The State Government approved Rs. 31.33 crore under MNP to electrify 182 villages targeted during 2001-02 to 2004-05. As against sanction of Rs. 31.33 crore, only Rs. 26.41 crore were released by the GOI/State Government. As such only 158 villages were electrified.

Audit scrutiny revealed that 93 villages were to be electrified at an estimated cost of Rs. 16.92 crore under MNP during 2004-05 and 2005-06. The expenditure during 2004-05 was restricted to Rs. 12.00 crore. However, the scheme was discontinued (2005-06) and MNP and PMGY were clubbed under RGGVY scheme. The Department could electrify only 69 villages.

PM's Package

7.2.7 The State Government approved Rs. 9.00 crore under PM's Package. Total 60 villages were targeted to be electrified during the period 2001-02. As against the target of 60 villages only 34 villages were electrified during

2001-02 and balance 26 villages were electrified in 2004-05 on receipt of funds.

7.2.8 The Department electrified 345 villages out of 402 villages targeted for electrification during the period 2001-02 to 2007-08 at the cost of Rs. 62.73 crore under PMGY/MNP/PM's package. As on March 2007, out of total of 4,593 villages only 2,257 villages were electrified. Thus the achievement of village electrification was only 49 *per cent* as against the target of *cent per cent* electrification by end of March 2007. The main reasons, as noticed in audit were, improper planning, inadequate funding, slow pace of utilisation of funds, execution of work on work order basis etc., as discussed in succeeding paragraphs.

Non formulation of plan to achieve the target

7.2.9 The PMGY guidelines stipulated that a plan for each district would be formulated indicating status of village electrification and programme for extending electrification in rural area to be completed by the Tenth plan and coverage of all households targeted by 2012. The plan for the programme shall contain districtwise/block wise list of villages, which would include at least one dalit/tribal basti village. The Department however, did not formulate any plan to cover the unelectrified villages under PMGY by 2007. The villages to be electrified in each district under each of the PMGY schemes were proposed based on the funds allotment by the State Government. The Department did not make any efforts with the State Government to provide adequate funds to electrify all villages by the target date.

The Department stated (November 2008) that due to uncertainty of continuation of the schemes and difficult geographical and social conditions no such plan could be formulated. The contention of the Department is not acceptable since to achieve the objectives of village electrification within a specified target, there should have been a specific plan with time bound programme.

Non preparation of Detailed Project Reports

7.2.10 Detailed Project Reports (DPRs) were not prepared for village electrification under PMGY/MNP schemes. Only a broad estimate indicating the village parameters were submitted by the Divisions. Item wise detailed estimates were not prepared even at the Division level. In absence of proper DPRs/item wise detailed estimates adequacy or otherwise of procurement of materials and justification of the project could not be verified in audit.

An adhoc estimate was prepared for electrification of 54 villages at an estimated cost of Rs. 10.80 crore under PMGY during 2004-05 and 2005-06. The average cost per village was estimated as Rs. 20 lakh based on the average cost incurred (Rs. 2846.52 lakh for 139 villages) on electrification of villages during the year 2003-04. However, there were no detailed parameters for villages to be electrified nor itemwise details were prepared. The State Government approved the scheme based on the adhoc estimates. Due to discontinuation of the scheme in March 2005 only Rs. 6.84 crore were released and the target was revised to 33 villages. However, the division electrified only nine villages under the scheme. It was noticed in audit that the total cost of electrification of nine villages worked out to Rs. 1.80 crore. However, the entire fund of Rs. 6.84 crore was spent. Thus the expenditure of Rs. 5.04 crore incurred over and above the average cost for nine villages lacked justification.

The Department stated (November 2008) that due to discontinuation of the scheme the works could not be completed. However, the Department did not furnish any reason for expenditure over and above the average cost.

Deficient selection of villages

7.2.11 No specific criteria/basis was adopted in selection of villages for electrification. The availability of power supply, nearby grid connectivity etc were not considered in selecting the villages for electrification. Villages were not chosen sequentially based on their location. Instead, they were chosen randomly.

Under Along Electrical Division, 26 villages were proposed under PMGY (2003-04) and MNP (2002-03 & 2003-04) for electrification even though no source of power supply/grid connectivity was available. The villages were electrified at a cost of Rs. 4.69 crore. It was noticed in audit that due to non availability of source of power supply, these villages had no electricity connectivity as on date (October 2008). Thereby, entire expenditure remained unfruitful so far in the absence of adequate planning.

7.2.12 Three villages viz. Silli Ette, Jime and Ichi-Chiku were to be electrified at estimated cost of Rs. 74.77 lakh under PMGY during 2002-03. It was observed that there was no nearby source of power supply available for village Ichi-Chiku under Basar circle. The power supply was to be met through 2x2.5 MVA 33/11KV sub station which was to be commissioned at Basar under Accelerated Power Development Reform Programme (APDRP).

The work of electrification of the village Ichi-Chiku was completed by February 2004 at a cost of Rs. 24.92 lakh. However, proposed sub station was not commissioned till date (November 2008). Consequently, the village though declared electrified, service connections could not be provided due to non availability of power and the intended benefit could not be derived so far.

Thus, due to unplanned selection of villages for electrification, the funds of Rs. 4.94 crore incurred on electrification of above 27 villages remained unfruitful, defeating the very purpose of the scheme.

The Department stated (November 2008) that power supply to these villages was planned from other schemes which are under progress and on completion of the schemes electricity would be supplied to these villages. The Department admitted that due to remoteness of the localities the materials were prone for theft. Since the lines are not charged there is scope of theft/misutilisation of the materials erected which may result in the whole expenditure of Rs. 4.94 crore becoming infructuous.

7.2.13 In Along Electrical Division the villages Boru-Rakshap and Sala Potom were chosen which were at the far end of the route from existing grid while Poyom and Bogo villages which were nearer to the existing grid were left out. Due to this, the above two villages were to be substituted for electrification during 2001-02 under PMGY.

The Department stated (November 2008) that two extra villages were electrified as they fell in line to the villages originally targeted and there was additional expenditure incurred. The fact, however, remains that selection of villages was not made sequentially considering the availability of grid connection.

7.2.14 Census code of 10 villages[9] proposed by Pasighat Electrical Division and sanctioned for electrification at a cost of Rs. 2.13 crore under MNP/PMGY did not match with the list of census villages or the villages having electricity connection.

The Department stated (November 2008) that the census code did not match because there were changes in census code in 2001 and also due to typographical mistakes. The works were completed and villages electrified. The reply is not acceptable since the villages for electrification were to be selected indicting the latest census codes. Since there is discrepancy in the census codes, the factual position of village existence and their electrification by incurring the expenditure of Rs. 2.13 crore could not be verified in audit.

Procurement of materials and equipments under PMGY/MNP

Procurement of materials at higher cost

7.2.15 The village electrification work was to be carried out as per the REC specifications and cost. It was found in audit that Along Electrical Division had procured (March 2004) 673 nos. of 9.5 Meters poles and 749 nos. of 7.5 meters poles at rates of Rs. 9030 and Rs. 5530 each respectively. The

9 *Rina, Riga Hqr, Riga (Mobuk), Poging, Lingka, Tebo, Rema Camp, Ugeng, Upper Ngyopok I and Sissen*

REC/approved rates for these poles were Rs. 6102 and Rs. 4399 each respectively. Thus, procurement of poles at higher rates resulted in additional expenditure of Rs. 28.18 lakh. Since the estimates were prepared on the basis of REC specification, procurement of materials at higher rate lacked justification.

The Department stated (November 2008) that the REC cost data are mainly an estimate and not the actual rates. In practice, the materials were procured based on the approved rate or after following tendering process. Since funds were generally received at the fag end of the financial years, tenders could not be called for in many cases. The reply is not acceptable since tenders were not called for at Circle office also and as such, the basis for arriving at the higher rate was not on record. Further, the poles were also procured at the estimated cost of Rs. 6102 during the same period.

Excess procurement of materials

7.2.16 It was noticed in audit that the Capital Electrical Division and Along Electrical Division procured materials valued at Rs. 43.05 lakh in excess of the actual requirements under PMGY/MNP. Since the materials were procured in excess of the actual requirement and the schemes were discontinued, the same could not be utilized resulting in blocking up of funds amounting to Rs. 43.05 lakh.

The department stated (November 2008) that due to discontinuation of some schemes, certain residual materials remained unutilized, and the same would be used in other works. The reply is not acceptable since the excess procurement was as a result of not having a detailed DPR. There is no scope of utilization of these materials since works are now being implemented through turnkey contracts.

Deficiencies in execution of works

7.2.17 In the absence of any specific guidelines for execution of work under turnkey contract, all works were executed departmentally. The works were executed through award of work orders on local parties. Tenders were not invited and further the work orders were split to avoid obtaining sanction of the higher authority, in violation of the provisions of the CPWD code. The works were executed in violation of provisions of the CPWD manual as discussed below:

Unauthorised expenditure

7.2.18 As per Para 2.2 of CPWD Manual Vol. II, work should be commenced after administrative approval had been obtained. In addition detailed estimates and availability of funds were also prerequisite for commencement of works. Further, the State Government noticed (October 2001) that many divisions were in habit of incurring expenditure leading to serious financial indiscipline and mismanagement besides objectionable procedural lapses. The State Government directed (October 2001) that no expenditure be incurred against any scheme which had no Administrative Approval and Expenditure Sanction from the Government.

However, in contravention to the provisions of CPWD Manual and specific instructions of the State Government, the divisions continued to incur expenditure on electrification of villages without Administrative Approval/ Expenditure Sanction as discussed below:

- The Capital Electrical Division incurred expenditure of Rs. 31.69 lakh in the year 2002-03 on electrification of two villages viz Tarasso Karbi and Tassamso under MNP. These villages were declared electrified by March 2003. However, these two villages were included in MNP scheme 2003-04 and the Administrative Approval and Expenditure Sanction was accorded in September 2003 i.e. six months after completion of work.

- The Division also incurred an expenditure of Rs. 16.87 lakh towards electrification of Nyoing village under PMGY during the period October 2005 to March 2006 without sanction.

The Department stated (November 2008) that due to discontinuance of MNP scheme by the GOI no fund was made available for the already electrified Nyoing village, it was decided to declare Nyoing village under PMGY in lieu of Upper Dulana village so that the liability created for Nyoing village could be cleared from the on going PMGY fund. The reply is not acceptable since the Nyoing village was not included and sanctioned under PMGY. Further, separate funds were received under MNP.

- Under Along Electrical Division two villages namely Lutak and Ralling, were to be electrified at estimated cost of Rs. 40.22 lakh. Subsequently, it was decided to electrify Kamu village in place of Lutak. It was found in audit that the division had incurred Rs. 5.77 lakh on procurement of materials and labour charges for Lutak village against estimated cost of Rs. 20.61 lakh. The village Lutak was not declared electrified even though expenditure was incurred on this village. It was found that the village Lutak was included under the list of villages not electrified under RGGVY scheme. Since the lines though erected were not charged there was scope for theft/misutilization of the materials resulting in the expenditure becoming infructuous. Thus, due to undertaking the work of electrification of the villages without expenditure sanction was unauthorized and may result in wasteful expenditure. The Division also incurred expenditure of Rs. 5.76 lakh on transportation and erection of HT poles and stay sets for electrification of Botakkayi village during March 2004. However, Administrative Approval and Expenditure Sanction for the scheme were accorded in July 2004 i.e. after the expenditure had already been incurred.

- Pasighat Electrical Division incurred an expenditure of Rs. 38.06 lakh on electrification of village Kadang Camp under PMGY (2001-02) without proper sanction. The department stated (November 2008) that the village Kadang Camp was electrified in lieu of Murali Camp, which was a sanctioned village under the scheme but could not be electrified due to not having mandatory clearance from the Forest Department. The reply was not acceptable since the village Kadang Camp was not even a census village.

The Department (November 2008) stated that the expenditure was knowingly incurred even without sanction as the funds were expected to be received in the year end. Substitution of the villages was permitted and the same was necessitated due to problem in electrifying targeted village. The reply is not acceptable since incurring the expenditure without sanction was not only in contravention to the CPWD manual it was also contradictory to the Government directives.

Non confirmation of village electrification works

7.2.19 During the years 2001-02 to 2006-07, the Department electrified 345 villages after incurring an expenditure of Rs. 62.73 crore under PMGY, MNP and PM's Package. As per the guidelines, for procurement of equipment and materials and the construction, erection/installation, specifications of REC would be adopted for implementation of the schemes. The procurement of materials and the actual utilisation in electrification works were reviewed in audit to verify the work done under the village electrification. It was found in audit that the actual utilization of the materials was far less than the norms as detailed below:

- Naharlagun Electrical Division had taken up the work of village electrification of Papu I under PMGY scheme during the year 2004-05 at a cost of Rs. 15.17 lakh. As per the estimate it was proposed to construct 2 KM of 11 KV line and 2.5 KM of LT distribution line with 3 phase 5 wires. As per specification 84 poles and 19.06 KM of ACSR conductor were required. However, only 47 poles and 9.547 KM of conductor were used. In view of under utilisation of the material, the completion of the work could not be vouchsafed in audit.

The Department stated (November 2008) that requirement of material was met from the residual material of the previous scheme and transfer entry order was affected subsequently. The reply is not acceptable since the department could not produce any documentary evidence for utilisation of the material from other schemes.

- The village Bomdo was electrified in December 2005 at a cost of Rs. 41.55 lakh under PMGY during 2004-05 and 2005-06 under Yingkiang Electrical Division. It was found in audit that issue of materials including the poles commenced only in May 2006. Thus, completion of work connected with electrification of the said village at a cost of Rs.41.55 lakh was not feasible.

The Department stated (November 2008) that contractors delivered materials in advance without orders which were regularized at a later date. The reply is not acceptable since the receipt of materials was not syncronised with issue and erection work. Moreover, erection of other critical items like conductors etc. was also not on record.

- Pasighat Electrical Division incurred an expenditure of Rs. 33.56 lakh on electrification of the village Lileng Camp under MNP during 2002-03. It was found in audit that a fictitious village called Lileng camp had been included as targeted village in the scheme. The Division also incurred an expenditure of Rs. 38.06 lakh on electrification of village Kadang Camp under PMGY (2001-02). The village Kadang Camp did not have electricity connectivity and further it was not in the list of census villages.

The Department stated (November 2008) that there was mistake in correspondence as regard to electrification of Lileng camp which was another name for Lileng village and Kadang Camp was electrified in lieu of Murali Camp. The fact remains that Lileng village was not a census village and as per departments record it was a fictitious village. Further, neither Kadang Camp nor Murali Camp, were census villages.

- The Bomdila Electrical Division incurred an expenditure of Rs. 50.52 lakh on electricity of Dingchaangpam, Khorung and Kamsiri (March 2005). It was found in audit that the electrification of these three villages required 150 poles of different sizes and 38.63 Km ACSR conductors. However, only 83 poles and 28.94 Km ACSR conductors were purchased and used for electrification. Electrification of these three villages with the above quantity against estimate of 150 poles and 38.63 Km ACSR conductors was not feasible.

- The village Thalat sanctioned for electrification under PMGY (2002-03) was declared electrified in January 2005 at a cost of Rs. 18 lakh. However, in September 2005, it was stated that the electrification work was not completed and further an amount of Rs. 7.52 lakh was required to complete the work.
- The Changlai village sanctioned for electrification under PMGY (2001-02) was declared electrified in February 2002 at a cost of Rs. 14.25 lakh. However, the Executive Engineer stated (May 2004) that practically no work was completed and sought an additional amount of Rs. 4 lakh for the completion of the electrification work.

As such, electrification of above mentioned villages could not be verified in audit.

Excess consumption of materials

7.2.20 Review of the records revealed that in certain cases the materials used were in excess of the REC norms, thereby incurring additional expenditure. Capital Electrical Division had electrified five villages (Jumi, New Ban and Sinduputha in 2001-02 and Chessa Nishi and Dokum Pichola in 2004-05) under PMGY/MNP schemes. As per the parameters 252 poles of various sizes were required. It was, however, found in audit that 464 poles were used. The total excess expenditure on this account worked out to Rs. 12.27 lakh.

Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

7.2.21 The Department of power submitted (February to December 2006) 16 projects valued at Rs. 581.19 crore to electrify 1,798 villages to the MOP/REC for approval. Twelve projects valued at Rs. 386.88 crore were sanctioned by GOI/REC in January/February 2008 and the balance four projects were sanctioned in September 2008. The turnkey contracts for these four projects were yet to be finalized (October 2008).

It was noticed in audit that a plan for rural electrification was formulated in March 2005 for implementation of RGGVY scheme. As on March 2005, 1,798 virgin villages were to be electrified. As per the plan, 507 unelectrified villages and 87 de-electrified villages were targeted to be electrified by 2007-08. The projects under the scheme submitted during February 2006 to December 2006, were not prepared in accordance with the conditions and guidelines of the Scheme. Due to discrepancies in preparation and submission of the Projects there was inordinate delay in obtaining the sanction of GOI/REC. 12 projects were sanctioned in March 2008 and balance four projects were sanctioned in September 2008. The projects were to be completed on turnkey basis, within a period of two years, failing which the capital grant was to be converted into interest bearing loan. The turnkey contracts for implementation of the scheme were not finalized and awarded till October 2008. Thus, the Department could not even initiate the implementation of the scheme by March 2008 and the target to electrify 507 villages could not be achieved.

Recommendations

The State Government and the Department should:

- **ensure electrification of the villages in a time bound manner so as to achieve prime objective of the schemes;**
- **strictly adhere to the guidelines/directives for optimizing operational and financial performance;**
- **evolve a mechanism for independent verification of the works done; and**
- **synchronise other schemes so as to provide power supply to all the electrified villages.**

The matter was reported to the Department in July 2008; their reply was awaited (October 2008).

7.3 Avoidable expenditure

Injudicious procurement of materials resulting in avoidable expenditure of Rs. 72 lakh and blocking up of funds of Rs. 61 lakh since 1997-98.

Ziro Electrical Division had unutilized stores worth Rs. 1.33 crore as on 31 July 2007 involving 94 items procured between March 1991 and April 1997 for *cent per cent* rural electrification programme. Out of this, materials worth Rs. 61 lakh were found usable and balance materials valued at Rs. 72 lakh were unusable.

It was observed in audit that though the Rural Electrification Programme was implemented, the materials were not utilized. Further, the materials were purchased though sufficient quantities were lying in the stores. Procurement of materials without assessing the actual requirement resulted in accumulation of stores valued at Rs. 1.33 crore. The division did not take effective steps to utilize these usable stores or transfer them to other needy Divisions. With the passage of time, the entire usable materials may also lose their utility and become unusable/obsolete.

The Department stated (September 2008) that a circular has been issued to all circles and divisions to place requisition for proper utilization of materials. The reply however, did not elaborate the reasons for procurement of materials in excess of requirement and in spite of their availability in stock.

Thus, weak internal controls and injudicious purchase of materials resulted in avoidable expenditure of Rs. 72 lakh on materials which became unusable and resulted in blocking up of funds of Rs. 61 lakh (usable materials) in addition to avoidable inventory carrying cost.

7.4 Expenditure on wages

Expenditure of Rs. 82.53 lakh incurred on wages during 2004-05 to 2006-07 remained unsubstantiated.

Ziro Electrical Division had two Diesel Generating (DG) sets under Raga Electrical sub-division, which were not put to use during the period between 2004-05 and 2006-07 though they were in good condition.

Scrutiny (August 2007) of records revealed that the division spent Rs. 98.03 lakh during this period on maintenance of these sets. Out of Rs. 98.03 lakh, Rs. 82.53 lakh was spent on wages. Since the DG sets were not in use during the period, the expenditure of Rs. 82.53 lakh incurred on wages which constituted 84 *per cent* of the total expenditure could not be vouchsafed in audit.

The Department stated (September 2008) that since the operation of DG set was rare the Division had diverted all the staff from maintenance of DG set to other work like maintenance of transmission lines, sub stations etc., though they were paid from DG set maintenance head. The reply does not hold good since the Division in its earlier reply (January 2008) had stated that the staff engaged in the operation and maintenance of DG sets were diverted to other work only in the early part of 2007-08. The Division could not produce records in support of the labourers being used for maintenance of transmission lines, sub stations etc. Further, the Division had received funds for maintenance of lines etc., under separate letter of credits during the period. Therefore, diversion of funds meant for maintenance of DG sets to maintenance of lines etc. was unauthorised.

7.5 Loss of revenue

Incorrect classification of tariff in respect of commercial consumers resulted in loss of revenue of Rs.13.12 lakh during April 2005 to March 2008.

Tariff notifications of Department of Power, Government of Arunachal Pradesh (January 2000) as amended from time to time, stipulated different tariffs for different Category of commercial consumers.

Capital Electrical Division, Itanagar sold 17,48,444 KWH energy to Bharat Sanchar Nigam Limited and State Bank of India and billed the consumers under 'Non-Residential' Category from April 2005 to September 2006 and 'Commercial-HT' Category from October 2006 to March 2008. It was observed that since these consumers were commercial, they should have been classified under 'Commercial' Category during the period from April 2005 to September 2006 and 'Commercial-LT' Category from October 2006 to March 2008 as no HT agreements were entered into with these commercial consumers with regard to demand/energy charges. Thus, the Department of Power sustained loss of revenue of Rs. 13.12 lakh due to incorrect classification of consumers for application of tariff.

The Department agreed with the observation made by audit and stated (August 2008) that incorrect classification of tariff occurred due to inadvertent clerical mistake and necessary consumer bills have been raised to recoup the balance revenue. However, the differential amount was yet to be realized (October 2008).

Supply and Transport Department

7.6 Extra expenditure

Non-adherence to the terms of the agreement in transportation of essential ration commodities resulted in extra expenditure of Rs. 12.91 crore during 2003-04.

The Directorate of Supply and Transport (DST) submitted a note to the Government of Arunachal Pradesh for seeking Government approval for transportation of Essential Ration Commodity (ERC) to Monigong CPO centre from Lilabari Depot. As per the note, the land route/head load transportation charges worked out to Rs. 4193.40 per quintal as against the air freight charges of Rs. 9276.18 per quintal and thus, the land route/head load transportation charges in place of air sorties was projected as economical to the State. Based on the above cost analysis, the proposal to transport ERC by land route/head route was approved.

Accordingly, an agreement with N L Yameen Enterprises, Nirjuli was entered (April 2003) for transportation of Government stores from Assistant Director of Supply & Transport (ADST), Lilabari Depot to CPO, Monigong at a cost of Rs. 4,193.40 per quintal during the period between 01 April 2003 to 31 March 2004. There was no provision in the agreement for transportation of ERC by head load.

It was observed in audit that the DST allowed (September 2003) the transporter on its request, to lift the ERC from Along (a place en-route Lilabari to Monigong) instead from Lilabari. The transporter lifted 3,859 quintals from Along during 2 December 2003 to 6 February 2004 for which it claimed Rs.3 per quintal per KM for land route (130 KM - Along to Toto) and Rs.250 per quintal per KM for head load (149 KM - Toto to Monigong). The total transportation charges thus, worked out to Rs. 37,640 per quintal as against the agreed rate of Rs. 4193.40 per quintal. The DST paid a total amount of Rs. 14.53 crore as claimed by the transporter for transportation of 3,859 quintals, without taking the approval of the competent authority. Due to not affecting the payments as per the agreed rates the DST extended undue benefit of Rs. 12.91 crore to the transporter.

The DST stated (April 2008) that the contractor had claimed the rate of Rs. 37,640 per quintal based on the Government approved rate prevailing during that period. The reply is not acceptable since the rate paid was not approved by competent authority.

7.7 Misappropriation

Misappropriation of sales proceeds of Rs. 17.19 lakh and of stores items of Rs. 7.36 lakh due to lack of internal control during April 2001 to May 2005.

As per the Central Purchasing Organisation (CPO) guidelines, the Store Keeper of a CPO Centre should hand over the sale proceeds alongwith a forwarding memo to the Circle Officer (CO)/Extra Assistant Commissioner (EAC) in-charge of the CPO Centre after closing daily sales account. The sale proceeds should regularly be remitted with challans in quadruplicate to Deputy Commissioners (DCs)/Additional Deputy Commissioners (ADCs) for crediting into Government Treasury. The CPO centre should submit Monthly Return of the sale proceeds deposited during the period to the Directorate, Supply and Transport (DST), Naharlagun through the DC/ADCs concerned on the first day of the following month. The guidelines provide physical verification of stores held by CPO by a Board of Officials once in every month and forwarding of such verification report and Board Proceedings to the DST, Naharlagun through DCs/ADCs concerned for follow-up action. Guidelines stipulate inspection of CPO centres atleast twice in a year by Sub-Inspectors/Inspector of supply and once in a year by CO/EACs concerned.

The Public Accounts Committee (PAC) of the Lok Sabha in their 76th Report (1976) had criticized the large scale "irregularities", "misappropriation" and "heavy loss due to deterioration of CPO stores" in Arunachal Pradesh and recommended that there should be strict supervision and regular inspection of all the CPO centres. In order to implement the recommendation of PAC, a directive was issued (July 1976) by DST, Naharlagun to all concerned in which detailed time schedules were prescribed for carrying out periodical inspection at all levels.

It was noticed in audit that the CPO Centre, Pipsorang, Kurung Kumey district neither submitted the monthly returns nor remitted the sale proceeds regularly since its inception in April 2001. Despite this, neither the physical verification of stores nor the periodical inspection of the centre was carried out as stipulated in the guidelines and directives of the PAC. Inspection of the CPO Centre was conducted in July 2005 by Loss Section of DST, Naharlagun. It was also observed that as against the total sale of CPO commodities of Rs. 49.35 lakh during the period between 7 April 2001 and 20 May 2005, the Store Keeper of the Centre remitted (date not indicated) Rs. 32.16 lakh to the DC, Ziro and retained the balance amount of Rs. 17.19 lakh with him. Further ration items valued at Rs. 7.36 lakh dispatched to the CPO Centre by Additional Director of Supply Transport (ADST), Lilabari during the period between June 2003 and October 2003 were not entered in the stock register of the centre. Thus, the sale proceeds of Rs. 17.19 lakh and ration items valued Rs. 7.36 lakh were misappropriated by the Store Keeper.

While agreeing with the observation, the DST stated (April 2008) that correspondence was made with the Deputy Commissioner, Kurung Kumey to locate the store keeper since whereabouts of the Store Keeper of the CPO centre was not known to the DST. Since the store keeper is not traceable, the chances of recovery of the amount misappropriated are remote.

Thus, due to non adherence to the CPO guidelines and PAC directives and lackadaisical attitude on the part of authority in exercising timely check and control and allowing the store keeper to retain the sale proceeds, rendered it possible for the store keeper to misappropriate the stock and sale proceeds to the tune of Rs. 24.55 lakh.

(C.ANGRUP BODH)
Accountant General
Arunachal Pradesh

Itanagar
The

1 9 MAY 2009

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The

2 1 MAY 2009

APPENDICES

Appendix – 1.1

PART - A
Structure and Form of Government Accounts
(Reference: Paragraph 1.1; Page 1)

Structure of Government Accounts: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund

Contingency Fund of State established under Article 267(2) of the Constitution is in nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: Public Account

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances *etc.*, which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and not subject to vote by the State legislature.

Part – B
Layout of Finance Accounts

(Reference: Paragraph 1.1; Page 1)

Statement	Lay Out
Statement No.1	Presents the summary of transactions of the State Government - receipts and expenditure, revenue and capital, public debt receipts and disbursements etc., in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No.2	Contains the summarised statement of capital outlay showing progressive expenditure to the end of current year.
Statement No.3	The State Government had not declared any Irrigation Project as commercial/productive.
Statement No.4	Indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.
Statement No.5	Gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.
Statement No.6	Gives the summary of guarantees given by the Government for repayment of loans etc., raised by the statutory corporations, local bodies and other institutions.
Statement No.7	Gives the summary of cash balances and investments made out of such balances.
Statement No.8	Depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2008.
Statement No.9	Shows the revenue and expenditure under different heads for the current year as a percentage of total revenue/expenditure.
Statement No.10	Indicates the distribution between the charged and voted expenditure incurred during the year.
Statement No.11	Indicates the detailed account of revenue receipts by minor heads.
Statement No.12	Provides accounts of revenue expenditure by minor heads under non-plan, State plan and Centrally Sponsored Schemes separately and capital expenditure major head wise.
Statement No.13	Depicts the detailed capital expenditure incurred during and to the end of the current year.
Statement No.14	Shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, cooperative banks and societies etc., up to the end of March 2008.
Statement No.15	Depicts the capital and other expenditure (other than revenue account) to the end of the current year and the principal sources from which the funds were provided for that expenditure.
Statement No.16	Gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.
Statement No.17	Presents the detailed account of debt and other interest bearing obligations of the Government.
Statement No.18	Provides the detailed account of loans and advances given by the Government of Arunachal Pradesh, the amount of loans repaid during the year, the balances at the end of the year and the amount of interest received during the year.
Statement No.19	Gives the details of balances of earmarked funds.

PART – C

List of terms used in the Chapter-I and basis for their calculation

(Reference: Paragraph 1.2; Page 4)

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter / GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) / Rate of Growth of the parameter (Y)
Rate of Growth	(ROG) [(Current year Amount/Previous year Amount) – 1]* 100
Development Expenditure	Social Services + Economic Services
Average Interest Rate	(Average of opening and closing balances of fiscal liabilities / 2)x 100
Interest spread	GSDP growth – Average Interest Rate
Quantum spread	Debt stock * Interest Spread
Interest received as *per cent* to Loans Advanced	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2] * 100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts *minus* all Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048 – Appropriation for Reduction or Avoidance of Debt

Appendix – 1.2

Outcome Indicators of the State's Own Fiscal Correction Path

(Reference: Paragraph 1.2.1.1; Page 4)

(Rupees in crore)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
A. STATE REVENUE ACCOUNT:						
1. Own Tax Revenue	49.49	96.29	62.80	67.06	71.06	75.06
2. Own Non-tax Revenue	170.20	224.41	187.49	195.00	202.80	211.00
3. Own Tax+ Non-tax Revenue(1+2)	219.69	320.70	250.29	262.06	273.86	286.06
4. Share in Central Taxes & Duties	192.57	273.69	273.69	345.98	397.89	458.57
5. Plan Grants	789.94	1011.50	1149.59	1279.97	1425.18	1587.79
6. Non-Plan Grants	299.64	319.18	326.42	358.19	340.72	324.62
7. Total Central Transfer(4 to 6)	1282.15	1604.37	1749.70	1984.14	2163.79	2370.98
8. Total Revenue Receipts(3+7)	1501.84	1925.07	1999.99	2246.20	2437.65	2657.04
9. Plan Expenditure	579.03	682.45	828.83	912.00	995.00	1100.00
10. Non-Plan Expenditure	930.61	1019.97	980.68	1103.45	1150.00	1220.00
11. Salary Expenditure	417.33	579.25	614.00	688.00	760.00	820.00
12. Pension	70.65	71.29	78.47	85.00	92.00	100.00
13. Interest Payments	146.90	161.08	180.69	190.00	200.00	210.00
14. Subsidies General	-	-	-	-	-	-
15. Subsidies Power	-	-	-	-	-	-
16. Total Revenue Expenditure(9+10)	1509.64	1702.42	1809.51	2015.45	2145.00	2320.00
17. Salary+ Interest+ Pensions(11+12+13)	634.88	811.62	873.16	963.00	1052.00	1130.00
18. As percentage of Revenue Receipts (17/8)	*42.27*	*42.16*	*43.66*	*42.87*	*43.16*	*42.53*
19. Revenue Surplus/Deficit (8-16)	-7.80	222.65	190.48	230.75	292.65	337.04
B. CONSOLIDATED REVENUE ACCOUNT:						
1. Power Sector loss/profit net of actual subsidy transfer	Power Sector is a Government Department					
2. Increase in debtors during the year in power utility account/Increase (-)						
3. Interest payment on off budget borrowings and Spy borrowings made by PSU/SPUs outside budget.	-	-	-	-	-	-
4. Total (1 to 3)	-	-	-	-	-	-
5. Consolidated Revenue Deficit (A19 + B4)	**-7.80**	**222.65**	**190.48**	**230.75**	**292.65**	**337.04**
C. CONSOLIDATED DEBT:						
1. Outstanding debt and liability	1587.42	1792.46	1958.96	2125.19	2299.82	2481.06
2. Total Outstanding guarantee of which (a) guarantee on account of budgeted borrowing and Spy borrowing	8.05	5.72	3.39	1.06	1.14	1.23
D. CAPITAL ACCOUNT:						
1. Capital Outlay	375.07	562.14	311.74	350.00	392.00	440.00
2. Disbursement of Loans and Advances	5.97	4.60	4.43	5.00	5.00	5.00
3. Recovery of Loans and Advances	2.61	1.70	1.75	2.00	2.50	3.00
4. Other Capital Receipts	-	-	-	-	-	-
E. GROSS FISCAL DEFICIT (GFD)						
{(8+D3+D4)-(16+D1+D2)}	(-)386.23	(-)342.39	(-)123.94	(-)122.25	(-)101.85	(-)104.96
E As percentage of GSDP	*(-)15.71*	*(-)12.84*	*(-)4.29*	*(-)3.90*	*(-)3.00*	*(-)2.85*
F. GSDP at current prices	2458.20	2665.67	2890.65	3134.63	3399.19	3686.08
Actual/Assumed Nominal Growth Rate (%)	*8.66*	*8.44*	*8.44*	*8.44*	*8.44*	*8.44*

Appendix – 1.3

Summarised financial position of the Government of Arunachal Pradesh as on 31 March 2008

(Reference: Paragraph 1.2 and 1.6; Page 4 and 23)

(Rupees in crore)

As on 31.03.2007		Liabilities	As on 31.03.2008	
1277.84		**Internal Debt**		**1507.87**
	445.56	Market loans bearing interest	617.52	
	--	Market loans not bearing interest	---	
	1.79	Loans from LIC	1.45	
	0.12	Loans from GIC	0.10	
	166.54	Loans from NABARD	202.96	
	4.69	Loans from NCDC	2.14	
	104.56	Loans from other Institutions	104.56	
	55.64	Ways and Means and Advances	55.64	
	496.61	Special Securities issued to National Small Savings Fund of the Central Government	521.06	
		Overdraft from Reserve Bank of India	-	
	2.33	Other Loans	2.44	
464.60		**Loans and Advances from Central Government**		**448.49**
	40.36	Non-Plan loans	39.99	
	358.85	Loans for State Plan Schemes	338.62	
	2.98	Loans for Central Plan Schemes	2.98	
	12.04	Loans for Centrally Sponsored Plan Schemes	16.94	
	50.37	Loans for Special Schemes	49.96	
	--	Other Ways and Means Advances	---	
0.05		**Contingency Fund**		**0.05**
527.32		**Small Savings, Provident Funds, *etc.***		**570.03**
9.68		**Deposits**		**110.03**
--		**Suspense and Miscellaneous Balances**		**158.91**
126.73		**Reserve Funds**		**47.03**
3336.38		**Surplus on Government Account**		**4079.89**
	2641.44	(i) Revenue surplus as on 31 March 2007	3336.43	
	694.94	(ii) Revenue surplus during the year	743.46	
5742.60		**Total**		**6922.30**
		Assets		
5495.33		**Gross Capital Outlay on Fixed Assets**		**6248.54**
	31.76	Investment in shares of Companies, Corporations, Cooperatives, *etc.*	217.59	
	5463.57	Other Capital Outlay	6030.95	
27.91		**Loans and Advances**		**27.95**
	--	Loans for Power Projects	---	
	20.06	Other Development Loans	19.69	
	7.85	Loans to Government servants and Miscellaneous loans	8.26	
15.32		**Civil Advances**		**14.99**
105.24		**Remittance Balances**		**105.42**
31.46		**Suspense and Miscellaneous Balances**		---
67.34		**Cash**		**525.40**
	17.04	Cash in treasuries and Local Remittances	14.38	

	(-)24.83	Deposits with Reserve Bank and other Banks	(-)381.06	
	0.79	Departmental Cash Balance	1.21	
	0.01	Permanent Advances	0.01	
	39.43	Cash Balance Investments	845.96	
	34.90	Investment of earmarked funds	44.90	
5742.60		**Total**		**6922.30**

Appendix – 1.4

Abstract of receipts and disbursements for the year 2007-08

(Reference: Paragraph 1.2; Page 4)

(Rupees in crore)

Receipts				Disbursements				
2006-07			2007-08	2006-07		2007-08		
						Non-Plan	Plan	Total
Section – A : Revenue								
2592.17	**I. Revenue receipts**		**3003.01**	**1897.23**	**I. Revenue expenditure**	**1215.88**	**1043.67**	**2259.55**
78.24	Own Tax revenue	98.09		***559.60***	***General Services***	***598.13***	***21.93***	***620.06***
297.17	Non-tax revenue	656.92		***633.59***	***Social Services***	***216.35***	***490.23***	***706.58***
347.14	State's share of Union taxes	437.87		248.29	Education, Sports, Arts and Culture	106.88	190.33	297.21
387.54	Non-Plan grants	380.30		92.63	Health and Family Welfare	67.21	36.10	103.31
1048.91	Grants for State Plan Scheme	1268.96		165.99	Water Supply, Sanitation, Housing and Urban Development	29.52	185.69	215.21
387.87	Grants for Central and Centrally Sponsored Plan Scheme	122.71		4.41	Information and Broadcasting	3.02	2.32	5.34
				3.03	Labour and Welfare	1.11	4.08	5.19
45.30	Grants for Special Plan Schemes	38.16		116.46	Social Welfare and Nutrition	4.76	71.71	76.47
				2.78	Others	3.85	-	3.85
				704.04	***Economic Services***	***401.4***	***531.51***	***932.91***
				226.04	Agriculture and Allied Activities	146.46	126.59	273.05
				32.93	Rural Development	11.48	28.15	39.63
				44.45	Special Area Programme	0.03	68.10	68.13
				76.73	Irrigation and Flood control	19.84	68.12	87.96
				120.25	Energy	115.27	20.73	136.00
				17.93	Industries and Minerals	8.69	14.18	22.87
				81.96	Transport	62.22	76.24	138.46
				22.10	Communications	24.27	---	24.27
				1.50	Science, Technology and Environment	---	10.74	10.74
				80.15	General Economic Services	13.14	118.66	131.80
				-	**Grants-in-aid and Contributions**			
	II. Revenue deficit carried over to Section B			**694.94**	**II. Revenue surplus carried over to Section B**			**743.46**
Section – B								
14.39	**III. Opening Cash balance including Permanent Advances and Cash Balance Investment**		**67.34**	-	**III. Opening Overdraft from RBI**			-

Receipts				Disbursements				
2006-07			2007-08	2006-07		2007-08		
						Non-Plan	Plan	Total
-	**IV. Miscellaneous Capital receipts**	-	-	**585.60**	**IV. Capital Outlay**	**201.13**	**552.08**	**753.21**
				22.02	***General Services***	-	*23.11*	*23.11*
				139.85	***Social Services***	*9.23*	*139.15*	*148.38*
				48.48	Education, Sports, Art and Culture	9.00	26.22	35.22
				30.25	Health and Family Welfare	0.23	13.56	13.79
				55.13	Water Supply, Sanitation, Housing and Urban Development	-	82.76	82.76
				5.24	Social Welfare and Nutrition	-	16.09	16.09
				0.03	Information and Broadcasting	-	0.05	0.05
				0.72	Others	-	0.47	0.47
				423.73	***Economic Services***	*191.90*	*389.82*	*581.72*
				15.63	Agriculture and Allied Activities	186.17	11.56	197.73
				0.92	Rural Development Programme	-	1.10	1.10
				64.47	Special Areas Programme	-	46.68	46.68
				12.33	Irrigation and Flood Control	3.00	6.83	9.83
				128.28	Energy	-	127.89	127.89
				1.23	Industry and Minerals	-	0.25	0.25
				185.72	Transport	2.73	176.04	178.77
				-	Science, Technology and Environment	-	-	-
				15.15	General Economic Services	-	19.47	19.47
2.33	**V. Recoveries of Loan and Advances**		**2.94**	**4.78**	**V. Loans and Advances disbursed**			2.97
	From Power Projects	-			For Power Projects	-		
2.16	From Government servants	2.38		319	To Government servants	2.79		
0.17	From others	0.56		1.59	To others		0.18	
694.94	**VI. Revenue surplus brought down**		**743.46**		**VI. Revenue deficit brought down**			-
110.37	**VII. Public Debt receipts**		**291.06**	**92.44**	**VII. Repayment of Public Debt -**			**77.13**
299.74	Internal debt other than Ways and Means Advances and Overdraft	285.01		47.75	Internal debt other than Ways and Means Advances and Overdraft	-	54.97	
(-)206.04	Net transaction under Ways and Means Advances including Overdraft	-		-	Net transaction under Ways and Means Advances including Overdraft	-		

Receipts				Disbursements				
2006-07			2007-08	2006-07		2007-08		
						Non-Plan	Plan	Total
16.67	Loans and Advances from Central Government	6.05		44.69	Repayment of Loans and Advances to Central Government		22.16	
-	**VIII. Appropriation to Contingency Fund**		-	-	**VIII. Appropriation to Contingency Fund**		-	
-	**IX. Amount transferred to Contingency Fund**		-	-	**IX. Expenditure from Contingency Fund**		-	
1484.20	**X. Public Account receipts -**		**2423.76**	**1556.07**	**X. Public Account disbursements -**			**2169.85**
132.77	Small Savings and Provident funds	122.21		69.82	Small Savings and Provident funds	79.50		
10.00	Reserve funds	10.00		---	Reserve Funds	89.70		
(-)236.81	Suspense and Miscellaneous	442.90		(-) 46.76	Suspense and Miscellaneous	252.49		
1347.92	Remittances	1598.37		1352.59	Remittances	1598.56		
230.32	Deposits and Advances	250.28		280.42	Deposits and Advances	149.60		
	XI Earmarked Funds			**67.34**	**XI. Closing cash balance**			**525.40**
				17.04	Cash in Treasuries and Local Remittances	14.38		
				(-)24.83	Deposits with Reserve Bank and other banks	(-) 381.06		
				0.80	Departmental Cash Balance including Permanent Advances	1.22		
				74.33	Cash Balance Investment and investment of earmarked funds	890.86		
4898.40			**6531.57**	**4898.40**				**6531.57**

Appendix – 1.5

Sources and application of funds

(Reference: Paragraph 1.2; Page 4)

(Rupees in crore)

2006-07	Source			2007-08
2592.17	1- Revenue receipts			3003.01
2.33	2- Recoveries of Loans and Advances			2.94
17.93	3- Increase in Public debt			213.93
(-) 71.87	4- Net receipts from Public Account			253.91
	62.95	Net effect of Small Savings	42.70	
	(-) 50.10	Net effect of Deposit and Advances	100.68	
	10.00	Net effect of Reserve Funds	(-) 79.70	
	(-) 90.05	Net effect of Suspense and Miscellaneous transactions.	190.41	
	(-) 4.67	Net effect of Remittance transactions	(-) 0.18	
-		5- Net effect of Contingency Fund transactions		-
-		6- Decrease in closing cash balance		
2540.56		**Total**		**3473.79**
		Application		
1897.23		1. Revenue expenditure		2259.55
4.78		2. Lending for development and other purposes		2.97
585.60		3. Capital expenditure		753.21
-		4. Net effect of Contingency Fund transactions		-
52.95		5. Increase in closing cash balance		458.06
2540.56		**Total**		**3473.79**

Explanatory Notes to Appendix 1.3, 1.4 & 1.5

1. The abridged accounts in the above Appendices have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the surplus/deficit on Government account, as shown in **Appendix 1.3** indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation in stock figure, *etc*., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payment made on behalf of the State and other pending settlement, *etc*.

Appendix – 1.6

Time series data on State Government finances

(Reference: Paragraphs 1.2 and 1.6; Pages 4 and 23)

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
PART A. RECEIPTS						
1. Revenue Receipts	**1108.29**	**1576.36**	**1501.84**	**1849.41**	**2592.17**	**3003.01**
(a) Own Tax Revenue	37.26(3)	43.73(3)	50.11(3)	62.09(3)	78.24(3)	98.09(3)
Taxes on Sales, Trade, *etc.*	17.62(47)	21.79(50)	28.25(56)	47.69(77)	61.64(79)	77.06(79)
State Excise	14.26(38)	15.42(35)	17.79(36)	9.51(15)	10.98(14)	11.61(12)
Taxes on vehicles	1.75(5)	2.02(5)	2.21(4)	2.99(4)	2.93(4)	6.42(6)
Stamps and Registration fees	2.10(6)	0.31(1)	0.46(1)	0.41(1)	0.55(1)	0.86(1)
Land Revenue	0.81(2)	3.57(8)	0.76(2)	1.11(2)	2.10(2)	2.12(2)
Other Taxes	0.72(2)	0.62(1)	0.64(1)	0.38(1)	0.04	0.02(..)
(b) Non Tax Revenue	76.30(7)	120.57(8)	170.20(11)	202.36(11)	297.17(12)	656.92(22)
(c) State's share in Union taxes and duties	121.68(11)	160.60(10)	191.95(13)	272.15(15)	347.14(13)	437.87(15)
(d) Grants-in-aid from Government of India	873.05(79)	1251.46(79)	1089.58(73)	1312.81(71)	1869.62(72)	1810.13(60)
2. Miscellaneous Capital Receipts	-	-	-	-	-	-
3. Total Revenue and non Debt Capital receipts(1+2)	**1108.29**	**1576.36**	**1501.84**	**1849.41**	**2592.17**	**3003.01**
4. Recoveries of Loans and Advances	**2.24**	**2.35**	**2.61**	**2.82**	**2.33**	**2.94**
5. Public Debt Receipts	**143.08**	**305.98**	**215.30**	**714.07**	**110.37**	**291.06**
Internal Debt(excluding Ways & Means Advance and Overdrafts)	76.06	189.79	47.85	345.46	299.74	285.01
Net Transactions under Ways & Means Advances & Overdraft	-	-	96.31	165.37	(-)206.04	-
Loans and advances from Government of India	67.02	116.19	71.14	203.24	16.67	6.05
6. Total receipts in the Consolidated Fund(3+4+5)	**1253.61**	**1884.69**	**1719.75**	**2566.30**	**2704.87**	**3297.01**
7. Contingency Fund Receipts	-	-	-	-	-	-
8. Public Accounts Receipts	**1513.88**	**958.09**	**1208.86**	**1425.12**	**1484.20**	**2423.76**
9. Total Receipts of Government(6+7+8)	**2767.49**	**2842.78**	**2928.61**	**3991.42**	**4189.07**	**5720.77**
PART B. EXPENDITURE/DISBURSEMENT						
10. Revenue Expenditure	**1031.37(78)**	**1391.90(76)**	**1509.64(80)**	**1667.65(79)**	**1897.23(76)**	**2259.55(75)**
Plan	422.47(41)	550.72(40)	579.02(38)	723.67(43)	811.01(43)	1043.67(46)
Non-Plan	608.90(59)	841.18(60)	930.62(62)	943.98(57)	1086.22(57)	1215.88(54)
General Services (including interest payments)	364.56(35)	438.20(31)	489.02(33)	488.73(29)	559.60(30)	620.06(28)
Social Services	327.76(32)	433.28(31)	472.67(31)	571.05(34)	633.59(33)	706.58(31)
Economic Services	339.05(33)	520.42(37)	547.95(36)	607.87(37)	704.04(37)	932.91(41)
Grants-in-aid and contributions	-	-	-	-	-	-
11. Capital Expenditure	**290.06(22)**	**433.35(24)**	**375.07(20)**	**437.61(21)**	**585.60(24)**	**753.21(25)**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Plan	289.43(100)	429.74(99)	372.11(99)	438.68(100)	585.46(100)	552.08(73)
Non-Plan	0.63(0)	3.61(1)	2.96(1)	(-)1.07(0)	0.14(0)	201.13
General Services	18.20(6)	15.08(4)	14.53(4)	16.07(3)	22.02(4)	23.11(3)
Social Services	38.65 (13)	57.59(13)	71.89(19)	90.21(21)	139.85(24)	148.38(20)
Economic Services	233.22 (80)	360.68(83)	288.65(77)	331.33(76)	423.73(78)	581.72(77)
12. Disbursement of Loans and Advances	**2.98**	**3.50**	**5.97**	**3.68**	**4.78**	**2.97**
13. Total (10+11+12)	**1324.41**	**1828.75**	**1890.68**	**2108.94**	**2487.61**	**3015.73**
14. Repayments of Public Debt	**38.83**	**206.87**	**57.95**	**250.55**	**92.44**	**77.13**
Internal Debt (excluding Ways & Means Advances and Overdrafts)	11.40	19.76	31.33	35.88	47.75	**54.97**
Net Transactions under Ways & Means Advances & Overdraft	-	-	-	-	-	-
Loans and advances from Government of India	27.43	187.11	26.62	214.67	44.69	22.16
15. Appropriation to Contingency Fund	-	-	-	-	-	-
16. Total Disbursement out of Consolidated Fund (13+14+15)	**1363.24**	**2035.62**	**1948.63**	**2359.49**	**2580.05**	**3092.86**
17. Contingency Fund disbursements	-	-	-	-	-	-
18. Public Account disbursements	**1314.05**	**969.76**	**1082.82**	**1387.92**	**1556.07**	**2169.85**
19. Total disbursements by the State (16+17+18)	**2677.29**	**3005.38**	**3031.45**	**3747.41**	**4136.12**	**5262.71**
PART C. DEFICITS/SURPLUS						
20. Revenue Deficit (-)/ Revenue Surplus (+)(1-10)	**(+)76.92**	**(+)184.46**	**(-)7.80**	**(+)181.76**	**(+) 694.94**	**(+)743.46**
21. Fiscal Deficit (-)/ Fiscal Surplus (+)(3+4-13)	**213.88**	**250.04**	**386.23**	**256.71**	**(+) 106.89**	**(-)9.78**
22. Primary Deficit (-)/ Primary Surplus (+)(21+23)	**88.48**	**108.12**	**239.33**	**100.26**	**(+) 294.65**	**(+)145.16**
PART D. OTHER DATA						
23. Interest Payments (included in revenue expenditure)	**125.40**	**141.92**	**146.90**	**156.45**	**187.76**	**154.94**
24. Arrears of Revenue (Percentage of Tax & non Tax Revenue Receipts)	**NA**	**NA**	**NA**	**NA**	**7.23 (2)**	**71.16(9)**
25. Financial Assistance to local bodies *etc.*	**22.40**	**64.78**	**41.59**	**66.95**	**50.87**	**43.49**
26. Ways and Means Advances/Overdraft availed (days)	**28**	-	**80**	**94**	-	-
27. Interest on Ways and Means Advances/ Overdraft	**0.04**	-	**0.25**	**1.11**	**8.18**	-
28. Gross State Domestic Product (GSDP)	**2071.20**	**2367.72**	**2853.49**	**2918.23**	**3423.89**	**3739.62**
29. Outstanding Fiscal liabilities (year end)	**1226.53**	**1524.81**	**1777.54**	**2337.20**	**2371.27**	**2638.55**
30. Outstanding guarantees (year end)	**0.79**	**22.76**	**8.05**	**5.69**	**13.32**	**0.98**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
31. Maximum amount guaranteed (year end)	**-**	**-**	**14.00**	**24.00**	**23.99**	**12.00**
32. Number of incomplete projects	**17**	**64**	**442**	**345**	**474**	**285**
33. Capital blocked in incomplete projects	**1.26**	**172.02**	**3.10(55)**	**26.64**	**121.00**	**25.12**

Note: Figures in brackets represent percentages (rounded)

Appendix – 1.7

Cases of misappropriation reported to audit

(Reference: Paragraph 1.5.7; Page 23)

(Rupees in lakh)

Department	Upto 2002-03		2003-04		2004-05		2005-06		2006-07		2007-08		Total	
	N	A	N	A	N	A	N	A	N	A	N	A	N	A
Education	4	3.37	-	-	-	-	1	1.28	-	-	-	-	5	4.65
Forest	13	834.76	-	-	4	45.72	-	-	-	-	-	-	17	880.48
General Administration	1	0.03	-	-	-	-	1	3.10	-	-	-	-	2	3.13
Public Works	6	2.93	-	-	-	-	-	-	-	-	-	-	6	2.93
Supply & Transport	5	1.21	-	-	-	-	-	-	-	-	-	-	5	1.21
Information & Public Relation	1	2.65	-	-	-	-	-	-	-	-	-	-	1	2.65
CWC	1	NA	-	-	-	-	-	-	-	-	-	-	1	NA
Public Health Engineering	1	1.08	-	-	-	-	-	-	-	-	-	-	1	1.08
Total	**32**	**846.03**	**-**	**-**	**4**	**45.72**	**2**	**4.38**	**-**		**-**	**-**	**38**	**896.13**

N : Number of cases
NA : Not available

Appendix - 2.1

Statement showing areas in which major savings occurred
(Reference: Paragraph 2.3.1 (i); Page 40)

(Rupees in crore)

Grant No./ Major Head		Area in which major savings occurred	Savings
15- Health and Family Welfare (Revenue Voted)			
	2210	Direction and Administration	20.16
38- Water Resource Development (Revenue Voted)			
	2702	Modification of channel	11.00
	2702	Accelerated Irrigation benefits programmes	19.80
50- Secretariat Economic Service (Revenue Voted)			
	3451	Secretariat – Establishment expenses	517.73
		Public Debt (Revenue Charged)	
	2049	Interest on market loans	11.74
	2049	Interest on loan for National Bank for Agriculture and Rural Development	2.62
	2049	Interest On Loan For Rural Electrification Corporation Ltd	5.82
	2049	Interest on State Plan Loan	13.82
26- Rural Works (Capital Voted)			
	5054	ACA and SPA Schemes	16.96
32- Roads and Bridges (Capital Voted)			
	5054	Construction of District Road (ACA)	14.43
	5054	Scheme Under SPA	55.15
	5054	Scheme Under SPA (SPS)	95.58
	5054	Construction of road from Jop to Silangso in Lower (NLPF) Subansiri	3.45
	5054	Construction of Motorable Suspension Bridge	4.23
34-Power (Capital Voted)			
	4801	Creation of Assets (NLPF)	11.61
	4801	Schemes under REC (NLPF)	9.70
	4801	Schemes under APDRP (NLPF)	33.76
66-Power (civil) (Capital Voted)			
	4801	SPA for PM's Package (SPS)	69.96
	4801	Mukto MHP (EAP)	10.00
Public Debt (Capital Charged)			
	6003	Loan for National Bank for Agriculture and Rural Development	4.14
	6003	Repayment of Ways and Means Advances	90.00
	6003	Loan for Rural Electrification Corporation Ltd.	6.03

Appendix - 2.2

Statement showing expenditure which fell short by more than Rs.1 crore and also by more than 10 per cent of the total provision

(Reference: Paragraph 2.3.1 (ii); Page 40)

(Rupees in crore)

Sl. No.	Number and name of grant/appropriation	Total provision	Actual expenditure	Savings	Percentage w.r.t Total provision
Revenue Section (Voted)					
1.	6. District Administration	227.67	193.90	33.77	15
2.	15. Health and Family welfare	125.83	103.31	22.52	18
3.	18. Research	7.25	6.01	1.24	17
4.	22. Civil Supplies	57.13	43.38	13.75	24
5.	26. Rural Works	46.73	40.99	5.74	12
6.	27. Panchayat	16.73	4.71	12.02	72
7.	33. North Eastern Areas	7.61	6.00	1.61	21
8.	38. Water Resource Department	118.77	87.96	30.81	26
9.	49. Science and Technology	20.34	10.61	9.73	48
10.	50. Secretariat Economic Services	554.32	31.09	523.23	94
11.	56. Tourism	6.59	5.40	1.19	18
Revenue (Charged)					
12.	Public Debt	222.57	167.34	55.23	25
Capital Section (Voted)					
13.	1. Legislative Assembly	5.00	-	5.00	100
14.	14. Education	28.68	18.57	10.11	35
15.	15. Health and Family Welfare	20.65	13.79	6.86	33
16.	16. Art and Cultural Affairs	5.69	1.43	4.26	75
17.	26. Rural Works	30.96	8.40	22.56	73
18.	31. Public Works	22.00	16.90	5.10	23
19.	32. Roads and Bridges	345.77	165.21	180.56	52
20.	33. North Eastern Areas	33.96	25.42	8.54	25
21.	34. Power	158.36	94.84	63.52	40
22.	38. Water Resources Department	20.11	9.83	10.28	51
23.	40. Housing	17.17	12.17	5.00	29
24.	42. Rural Development	4.34	1.10	3.24	75
25.	52. Sports and Youth Services	22.68	15.20	7.48	33
26.	56. Tourism	30.20	19.07	11.13	37
27.	65. Department of Tirap and Changlang District	24.40	21.26	3.14	13
28.	66. Power Civil	120.89	33.06	87.83	73

Capital (Charged)					
29.	Public Debt	194.12	77.13	116.99	60
	Total	**2496.52**	**1234.08**	**1262.44**	

Appendix – 2.3

Statement showing excess expenditure relating to previous years requiring regularisation

(Reference: Paragraph 2.3.2 (i); Page 41)

(Rupees in crore)

Year	No. of Grant/ Appropriation	Grant/Appropriation(s)	Amount of excess
1986-87 (U.T. Period)	13	1,7,11,12,13,15,17,30,32,34,39,40 and 42	6.56
1986-87 (State Period)	28	1,2,3,6,7,8,10,11,13,14,16,18,19,20,22,24,27,28, 29,31,32,33,34,38,39,40,42 and 43	12.71
1987-88	16	14,18,19,22,23,24,26,30,31,32,33,34,35,40,42 and Public Debt	9.06
1988-89	12	1,13,15,17,21,24,30,31,32,34,40 and Public Debt	54.51
1989-90	15	8,10,15,30,31,32,33,34,38,40,43,45,48,49 and Public Debt	17.49
1990-91	16	5,8,13,15,19,23,24,26,30,31,32,34,40,44,48 and Public Debt	28.61
1991-92	17	4,8,10,14,15,18,19,23,25,28,30,31,34,37,42,43 and Public Debt	63.12
1992-93	11	14,15,18,28,30,31,34,40,43,21 and 38	27.91
1993-94	12	8,15,19,25,28,30,31,32,34,38,40 and 45	30.66
1994-95	18	6,8,11,15,21,22,23,26,28,29,31,32,34,38,40,42,43 and 45	64.45
1995-96	24	8,9,11,13,14,15,16,18,20,21,23,24,28,29,31,32,34,40,4 1,51,53,59,60 and Public Debt	38.41
1996-97	12	1,9,11,13,14,21,28,30,31,34,40 and 51	14.86
1997-98	15	9,10,11,13,15,20,25,30,31,34,41,46,48,59 and 60	25.34
1998-99	15	1,7,13,15,19,20,31,34,36,41,50,53,54,64 and Public Debt	25.26
1999-00	7	13,31,44,52,53,60 and Public Debt	14.27
2000-01	12	1,3,8,13,19,28,32,34,36,50,52 and 62	13.27
2001-02	13	1,7,8,11,13,14,16,22,28,33,35,48 and 59	27.08
2002-03	14	1,4,5,7,13,19,23,28,31,43,46,58,61 and 62	9.70
2003-04	21	5,13,15,16,24,26,28,31,32,33,35,36,42,43,44,47,56,58, 59,61 and 62	20.15
2004-05	17	8,14,15,18,19,26,28,31,32,33,40,43,48,58,61,65,66 and Public Debt	46.46
2005-06	13	1,5,8,16,25,35,41,43,52,56,58,60,66 and Public Debt	266.95
2006-07	18	5,11,13,15,24,28,29,33,35,36,38,40,41,48,58,60, 61,62 and Public Debt	173.74
Total:			**990.57**

Appendix – 2.4

Statement showing excess expenditure under the grants
(Reference: Paragraph 2.3.2 (ii); Page 41)

(Amount in Rupees)

Sl. No.	Number and name of Grant/Appropriation	Total Grant/ Appropriation	Actual Expenditure	Excess
Revenue Section (Voted)				
1.	1 Legislative Assembly	8,12,33,000	8,12,53,554	20,554
2.	8 Police	1,24,10,04,000	1,24,35,12,481	25,08,481
3.	13 Directorate of Accounts	88,51,06,000	1,13,00,53,214	24,49,47,214
4.	17 Gazetteer	28,25,000	28,38,209	13,209
5.	24 Agriculture	66,05,89,000	67,64,35,494	1,58,46,494
6.	29 Co-operation	4,02,54,000	4,12,16,730	9,62,730
7.	30 State Transport	39,99,99,000	40,73,38,538	73,39,538
8.	35 Information and Public Relations	5,19,63,000	5,33,85,822	14,22,822
9.	36 Statistics	4,98,02,000	5,14,30,898	16,28,898
10.	37 Legal Metrology	4,86,17,000	5,19,57,426	33,40,426
11.	52 Sports and Youth Services	4,19,05,000	4,58,35,991	39,30,991
12.	58 Stationery and printing	2,01,10,000	2,18,55,768	17,45,768
13.	62 Directorate of Transport	57,62,000	58,93,809	1,31,809
14.	63 Protocol Department	61,44,000	61,68,158	24,158
15.	65 Department of Tirap and Changlang District	60,00,000	3,76,54391	3,16,54,391
	Sub-Total	***3,54,13,13,000***	***3,85,68,30,483***	***31,55,17,483***
Capital (Voted)				
16.	24 Agriculture	7,73,12,000	7,73,42644	30,644
17.	36 Statistics	35,00,000	39,00,523	4,00,523
18.	43 Fisheries	16,00,000	21,89,639	5,89,639
19.	48 Horticulture	1,74,85,000	1,79,10,767	4,25,767
20.	51 Directorate of Library	-	1,00,000	1,00,000
21.	62 Directorate of Transport	7,00,000	7,20,468	20,468
22.	64 Trade and Commerce	-	5,80,954	5,80,954
	Sub-Total	***10,05,97,000***	***10,27,44,995***	***21,47,995***
	Total	**3,64,19,10,000**	**3,95,95,75,478**	**31,76,65,478**

Appendix – 2.5

Statement showing unnecessary supplementary provision

(Reference: Paragraph 2.3.4 (i); Page 41)

(Rupees in crore)

Sl. No.	Number and name of grant/appropriation	Amount of Supplementary provision	Amount of Saving
Revenue (Voted)			
1	27 Panchayat	0.57	12.02
Capital (Voted)			
2	1 Legislative Assembly	5.00	5.00
3	8 Police	1.00	1.00
4	27 Panchayat	0.60	0.60
5	66 Power (Civil)	84.37	87.83
TOTAL		**91.54**	**106.45**

Appendix – 2.6

Statement showing excessive supplementary grants in cases where ultimate savings in each case exceeded Rs.10 lakh

(Reference: Paragraph 2.3.4 (ii); Page 41)

(Rupees in lakh)

Sl. No.	Number & name of Grant/appropriation	Original	Actual expenditure	Additional grant required	Supplementary grant obtained	Net Savings
Revenue (Voted)						
1.	3 Council of Ministers	273.77	382.12	108.35	142.92	34.57
2.	5 Secretariat Administration	2184.16	3017.73	833.57	852.26	18.69
3.	6 District Administration	10889.21	19390.00	8500.79	11878.28	3377.49
4.	9 Motor Garages	328.30	1047.01	718.71	858.76	140.05
5.	11 Social Welfare	1749.48	4427.29	2707.81	2985.21	277.40
6.	14 Education	20598.55	28063.34	7464.79	8325.39	860.60
7.	15 Health and Family Wefare	7962.57	10331.38	2368.81	4620.15	2251.34
8.	16 Art and Cultural Affairs	184.73	424.04	239.31	253.72	14.41
9.	18 Research	385.41	601.47	216.06	339.71	123.65
10.	19 Industries	551.09	844.06	292.97	307.62	14.65
11.	21 Food Storage and Warehousing	2089.26	2305.16	215.90	256.97	41.07
12.	22 Civil Supplies	1136.69	4338.20	3201.51	4576.05	1374.54
13.	23 Forests	6308.43	7249.74	941.31	1231.94	290.63
14.	25 Relief, Rehabilitation and Re-settlement	3112.43	3114.56	2.13	43.76	41.63
15.	26 Rural works	3567.32	4098.95	531.63	1105.77	574.14
16.	28 Animal Husbandry and Veterinary	2197.10	2789.22	592.12	693.18	101.06
17.	31 Public Works	4635.59	7034.79	2399.20	2528.35	129.15
18.	33 North Eastern Areas	50.47	599.76	549.29	710.65	161.36
19.	38 Water Resources Department	8171.66	8795.64	623.98	3705.64	3081.66
20.	41 Land Management	249.57	353.89	104.32	119.07	14.75
21.	42 Rural Development	2777.74	3377.54	599.80	643.89	44.09
22.	47 Administration of Justice	104.49	124.25	19.76	34.04	14.28
23.	48 Horticulture	1067.56	1509.49	441.93	499.86	57.93
24.	49 Science and Technology	1018.00	1061.28	43.28	1016.56	973.28
25.	56 Tourism	365.04	540.05	175.01	293.83	118.82
26.	57 Urban Development	182.10	328.84	146.74	226.30	79.56
27.	59 Public Health Engineering	3675.69	19735.01	16059.32	17090.95	1031.63

Sl. No.	Number & name of Grant/appropriation	Original	Actual expenditure	Additional grant required	Supplementary grant obtained	Net Savings
28.	60 Textile and Handicraft	867.20	1520.59	653.39	690.15	36.76
29.	64 Trade and Commerce	11.00	19.49	8.49	108.00	99.51
30.	66 Power (Civil)	645.30	1340.97	695.67	723.43	27.76
Revenue (Charged)						
31.	2 Governor	132.67	167.22	34.55	44.61	10.06
Capital (Voted)						
32.	11 Social Welfare	262.00	1609.13	1347.13	1409.38	62.25
33.	14 Education	1035.00	1856.99	821.99	1832.58	1010.59
34.	15 Health and Family Welfare	2.00	1379.43	1377.43	2063.46	686.03
35.	16 Art & Cultural Affairs		143.28	143.28	568.60	425.32
36.	19 Industries	8.00	47.03	39.03	66.10	27.07
37.	26 Rural Works	510.50	839.96	329.46	2585.46	2256.00
38.	28 Animal Husbandry and Veterinary		173.23	173.23	200.81	27.58
39.	29 Co-operation	102.28	18203.40	18101.12	18118.84	17.72
40.	31 Public Works	1357.15	1690.45	333.30	843.33	510.03
41.	32 Roads and Bridges	9930.90	16521.07	6590.17	24646.40	18056.23
42.	33 North Eastern Areas	345.15	2542.41	2197.26	3050.77	853.51
43.	34 Power	5638.00	9483.53	3845.53	10197.73	6352.20
44.	38 Water Resource Department	580.00	982.80	402.80	1431.18	1028.38
45.	40 Housing	766.45	1217.50	451.05	951.05	500.00
46.	42 Rural Development	90.00	110.11	20.11	344.11	324.00
47.	52 Sports and Youth Services	25.30	1520.47	1495.17	2243.08	747.91
48.	56 Tourism	219.35	1907.35	1688.00	2800.47	1112.47
49.	57 Urban Development	864.80	5209.32	4344.52	4563.51	218.99
50.	59 Public Health Engineering	708.00	1849.52	1141.52	1222.57	81.05
	TOTAL	**109917.46**	**206250.06**	**96332.60**	**146046.45**	**49713.85**

Appendix – 2.7

Statement showing supplementary provision which proved insufficient by more than Rs.10.00 lakh leaving an uncovered excess

(Reference: Paragraph 2.3.4 (iii); Page 41)

(Rupees in lakh)

Number and Name of Grant	Provision		Total Grant	Actual expenditure	Excess
	O	S			
8 Police (Revenue Voted)	105.81	18.29	124.10	124.35	0.25
24 Agriculture (Revenue Voted)	34.88	31.18	66.06	67.64	1.58
30 State Transport (Revenue Voted)	34.26	5.74	40.00	40.73	0.73
35 Information and Public Relation (Revenue Voted)	3.70	1.50	5.20	5.34	0.14
36 Statistics (Revenue Voted)	4.12	0.86	4.98	5.14	0.16
37 Legal Metrology (Revenue Voted)	2.23	2.63	4.86	5.20	0.34
52 Sports and Youth Services (Revenue Voted)	2.67	1.52	4.19	4.58	0.39
58 Stationery and Printing (Revenue Voted)	1.64	0.37	2.01	2.18	0.17
Total	**189.31**	**62.09**	**251.40**	**255.16**	**3.76**

Appendix – 2.8

Statement showing excessive/unnecessary/injudicious re-appropriation of funds
(Reference: Paragraph 2.3.5; Page 41)

(Rupees in lakh)

Sl. No.	Number and Name of Grant/Appropriation		Head of Account	Budget Provision (Original Plus Supplementary)		Re-appropriation Additional (+) Reduction (-)		Total Grant	Total Expenditure	Excess (+) Saving (-)	
1.	**3 Council of Ministers**	1.	2013 Council of Minister 102 Sumptuary and other Allowances 03 Sumptuary Allowances of Parliamentary Secretaries	S	20.70	(+)	2.54	23.24	6.63	(-)	16.61
2.	**8 Police**	2.	2055 Police 115 Modernisation of Police Force 01 Modernisation of Police	S	778.95	(+)	7.00	785.95	756.87	(-)	29.08
3.	**12 Social Security and Welfare**	3.	60 Other Social Security and Welfare Programme 800 Other Expenditure 02 Ex-gratia Payment	O	45.00	(-)	13.30	31.70	19.56	(-)	12.14
4.	**13 Directorate of Accounts**	4.	2071 Pension and Other Retirement Benefits 01 Civil 101 Superanuation and Retirement Allowances 01 Ordinary Pension	O	6882.70	(-)	3393.15	3489.55	10005.85	(+)	6516.30
		5.	2071 Pensions and Other Retirement Benefits 01 Civil 104 Gratuities 01 Payment of Gratuities	O	841.45	(+)	1458.55	2300.00	870.00	(-)	1430.00
		6.	2071 Pensions and Other Retirement Benefits 01 Civil 102 Commuted Value of Pension 01 Ordinary Pension	O	409.84	(+)	990.16	1400.00	-	(-)	1400.00
		7.	2071 Pension and Other Retirement Benefits 01 Civil 105 Family Pension 01 Ordinary Pension	O	390.83	(+)	409.17	800.00	-	(-)	800.00
5.	**14 Education**	8.	4202 Capital Outlay on Education, Sports, Art and Culture 01 General Education 202 Secondary Education 01 Construction of Building for Education	O S	70.00 247.42	(+)	594.59	912.01	531.12	(-)	380.89

Sl. No.	Number and Name of Grant/Appropriation		Head of Account		Budget Provision (Original Plus Supplementary)	Re-appropriation Additional (+) Reduction (-)		Total Grant	Total Expenditure	Excess (+) Saving (-)	
	14 Education	9.	4202 Capital Outlay on Education, Sports, Art and Culture 01 General Education 201 Elementary Education 01 Building for Education	O	50.00	(+)	309.46	359.46	121.81	(-)	237.65
6.	**15 Health and Family Welfare**	10.	2210 Medical and Public Health 01 Urban Health Services - Allopathy 001 Direction and Administration 01 Establishment Expenses	O S	443.12 2143.36	(+)	65.81	2652.29	636.37	(-)	2015.92
		11.	2210 Medical and Public Health 03 Rural Health Services – Allopathy 110 Hospitals and Dispensaries 01 Establishment Expenses	O S	5416.59 670.43	(+)	16.29	6103.31	6064.14	(-)	39.17
7.	**18 Research**	12.	2205 Art and Culture 103 Archaeology 03 Heritage Conservation	S	215.00	(+)	35.00	250.00	182.08	(-)	67.92
8.	**26 Rural Works**	13.	3054 Roads and Bridges 04 District and other Roads 337 Road Works 01 Rural Link Road	O S	24.00 634.00	(+)	113.00	771.00	371.00	(-)	400.00
9.	**27 Panchayat**	14.	2515 Other Rural Development Programmes 001 Direction and Administration 01 Panchayat/Local Bodies	O	1360.00	(-)	680.00	680.00	-	(-)	680.00
		15.	2515 Other Rural Development Programmes 001 Direction and Administration 01 Establishment Expenses	O S	197.66 10.00	(+)	9.97	217.63	281.91	(+)	64.28
10.	**29 Co-operation**	16.	2425 Co-operation 001 Direction and Administration 01 Establishment Expenses	O S	387.47 5.47	(+)	2.00	394.94	412.17	(+)	17.23
11.	**30 State Transport**	17.	3055 Road Transport 800 Other Expenditure 02 Operational Expenses in respect of General Manager, State Transport	O S	3191.19 550.10	(+)	2.00	3743.29	3811.11	(+)	67.82
		18.	5055 Capital Outlay on Road Transport 102 Acquisition of Fleet 01 Purchase of Vehicles	O	274.00	(-)	14.00	260.00	189.95	(-)	70.05

Sl. No.	Number and Name of Grant/Appropriation		Head of Account	Budget Provision (Original Plus Supplementary)		Re-appropriation Additional (+) Reduction (-)		Total Grant	Total Expenditure	Excess (+) Saving (-)	
12.	**31 Public Works**	19.	4059 Capital Outlay on Public Works 80 General 051 Construction 04 Building Under ACA	S	159.00	(+)	50.00	209.00	9.00	(-)	200.00
		20.	5054 Capital Outlay on Roads and Bridges 04 District and other Roads 800 Other Expenditure 05 Construction of District Road (ACA)	S	1282.26	(+)	167.74	1450.00	6.81	(-)	1443.19
13.	**32 Roads and Bridges**	21.	5054 Capital outlay on Roads and Bridges 04 District and Other Roads 800 Other Expenditure 13 Construction of Link Road from Lhou Nallah to Mukto Circle	O S	56.79 443.46	(+)	27.13	527.38	436.03	(-)	91.35
14.	**33 North Eastern Areas**	22.	2552 North Eastern Areas 800 Other Expenditure 69 Integrated Development of Horticulture of Ambam/in L/Subansiri	O S	4.30 39.07	(+)	4.00	47.37	10.22	(-)	37.15
		23.	2552 North Eastern Areas 800 Other Expenditure 03 Intensive Cultivation Plantation	O	13.00	(-)	8.27	4.73	31.27	(+)	26.54
		24.	4552 Capital Outlay on North Eastern Areas 800 Other Expenditure 41 Construction of Sports Complex at Dirang	O	7.00	(-)	7.00	-	81.31	(+)	81.31
		25.	4552 Capital Outlay on North Eastern Areas 800 Other Expenditure 36 Creation of Assets	O S	10.00 70.43	(+)	128.00	208.43	124.12	(-)	84.31
15.	**37 Legal Metrology**	26.	3456 Civil Supplies 800 Other Expenditure 07 Integrated Project on Consumer Protection	O S	25.78 225.92	(+)	6.10	257.80	287.80	(+)	30.00
16.	**38 Water Resources Department**	27.	2702 Minor Irrigation 80 General 800 Other Expenditure 06 Accelerated Irrigation Benefits Programme	O S	6000.00 646.97	(+)	23.03	6670.00	4689.70	(-)	1980.30
		28.	2702 Minor Irrigation 01 Surface Water 103 Diversion Schemes 01 Modification of Channel	S	1200.00	(+)	100.00	1300.00	200.00	(-)	1100.00

Sl. No.	Number and Name of Grant/Appropriation		Head of Account		Budget Provision (Original Plus Supplementary)		Re-appropriation Additional (+) Reduction (-)	Total Grant	Total Expenditure		Excess (+) Saving (-)
	38 Water Resource Department	29.	4711 Capital Outlay on Flood Control Projects 01 Flood Control 800 Other Expenditure 01 Creation of Assets	O S	320.00 1254.18	(+)	10.00	1584.18	555.83	(-)	1028.35
17.	**39 Loans to Government Servants**	30.	7610 Loans to Government Servants etc., 201 House Building Advances 01 House Building	O	170.00	(+)	50.00	220.00	182.28	(-)	37.72
18.	**50 Secretariat Economic Services**	31.	3451 Secretariat Economic Services 090 Secretariat 01 Establishment Expenses	O	51996.94	(-)	51566.11	430.83	217.65	(-)	213.18
		32.	2575 Other Special Area Programmes 60 Others 800 Other Expenditure 01 Border Area Development Programme	O	3298.00	(+)	1452.50	4750.50	2759.90	(-)	1990.60
19.	**56 Tourism**	33.	3452 Tourism 01 Tourist Infrastructure 101 Tourist centre 01 Development of Places of Tourist Interest	O S	50.78 212.39	(-)	29.00	234.17	172.96	(-)	61.21
		34.	3452 Tourism 80 General 800 Other Expenditure 03 Capital IT and Computerisation	O S	7.00 30.51	(+)	13.91	51.42	-	(-)	51.42
		35.	5452 Capital Outlay on Tourism 01 Tourist Infrastructure 102 Tourist Accommodation 67 Development of Aero Sports Centre	O S	22.68 308.37	(-)	297.06	33.99	-	(-)	33.99
		36.	5452 Capital Outlay on Tourism 01 Tourist Infrastructure 102 Tourist Accommodation 74 Development of Meehuka Tourism Destination	S	308.37	(+)	44.87	353.24	-	(-)	353.24
		37.	5452 Capital Outlay on Tourism 01 Tourist Infrastructure 102 Tourist Accommodation 77 Development of Tourist Complex at Tuling		308.37	(-)	21.57	286.80	-	(-)	286.80

Sl. No.	Number and Name of Grant/Appropriation	Head of Account		Budget Provision (Original Plus Supplementary)		Re-appropriation Additional (+) Reduction (-)		Total Grant	Total Expenditure	Excess (+) Saving (-)	
	56 Tourism	38.	5452 Capital Outlay on Tourism 01 Tourist Infrastructure 102 Tourist Accommodation 68 Development of Tourism Circuit Dirak Wakro Tezu- Hayuliang-Walong	O S	38.60 308.39	(-)	115.19	231.80	157.61	(-)	74.19
		39.	5452 Capital Outlay on Tourism 01 Tourist Infrastructure 102 Tourist Accommodation 50 C/o Tourist Complex at Along	S	63.45	(-)	10.45	53.00	-	(-)	53.00
		40.	5452 Capital Outlay on Tourism 01 Tourist Infrastructure 102 Tourist Accommodation 57 Construction of Circuit Development at Pasighat	S	63.44	(+)	11.56	75.00	-	(-)	75.00
		41.	5452 Capital Outlay on tourism 01 Tourist Infrastructure 102 Tourist Accommodation 59 Development of Tourist Lodge at Geku	S	63.44	(+)	43.56	107.00		(-)	107.00
20.	**66 Power**	42.	4801 Capital Outlay on Power Projects 04 Diesel / Gas Power Generation 800 Other Expenditure 19 SPA/SPA for PM's Package	S	6937.50	(+)	1092.50	8030.00	1033.61	(-)	6996.39
		43.	4801 Capital Outlay on Power Projects 05 Transmission and Distribution 800 Other Expenditure 12 Creation of Infrastructure under RIDF	O	1600.00	(-)	100.00	1500.00	715.98	(-)	784.02
21.	**Public Debt**	44.	2049 Interest Payments 04 Interest on Loans and Advances from Central Government 101 Interest on Loans for State/Union Territory /Plan Schemes 01 Interest on State Plan Loan	O	4897.54	(-)	3368.22	1529.32	147.64	(-)	1381.68
		45.	2049 Interest Payments 01 Interest on Internal Debt 101 Interest on Market Loans 01 Payment and Interest on Market Loan	O	3954.56	(+)	545.44	4500.00	3325.58	(-)	1174.42

Sl. No.	Number and Name of Grant/Appropriation	Head of Account		Budget Provision (Original Plus Supplementary)		Re-appropriation Additional (+) Reduction (-)		Total Grant	Total Expenditure	Excess (+) Saving (-)	
		46.	2049 Interest Payments 01 Interest on Internal Debt 200 Interest on Other Internal Debt 04 Interest on Loan from REC Ltd.,	O	1700.00	(+)	100.00	1800.00	1218.25	(-)	581.75
		47.	2049 Interest Payments 01 Interest on Internal Debt 200 Interest on Other Internal Debt 03 Interest on Loan from NABARD	O	1550.00	(-)	50.00	1500.00	1238.26	(-)	261.74
		48.	2049 Interest Payments 04 Interest on Loan and Advances from Central Government 106 Interest on Ways and Means Advances 01 Payment of Interest on excess drawal of Ways and Means Advances from RBI	O	30.00	(+)	82.08	112.08		(-)	112.08
		49.	2049 Interest Payments 04 Interest on Loan and Advances from Central Government 104 Interest on Loans for Non Plan Schemes 01 Payment and Interest on Non Plan Schemes	O	89.98	(-)	89.98	-	78.98	(+)	78.98
		50.	6003 Internal Debt of the State Government 110 Ways and Means Advances from the RBI 01 Payment of Advances taken from RBI under Ways and Means	O	6997.00	(+)	2003.00	9000.00		(-)	9000.00
		51.	6004 Loans and Advances from the Central Government 02 Loans for State/Union Territory Plan 101 Block Loans 01 Repayment of Block Loans	O	5484.36	(-)	5351.96	132.40	2058.92	(+)	1926.52
		52.	6003 Internal Debt of the State Government 105 Loans from the NABARD 01 Repayment of Loans from NABARD	O	5484.36	(-)	5351.96	132.40	2058.92	(+)	1926.52

Appendix – 2.9

Statement showing expenditure without provision of funds and re-appropriation
(Reference: Paragraph 2.3.6; Page 41)

(Rupees in lakh)

Number and Name of Grant	Head	Expenditure incurred without provision
33 North Eastern Areas	2552 North Eastern Areas 800 Other Expenditure 20 Cultivation and Production of Ramie Filore	21.70
	2552 North Eastern Areas 800 Other Expenditure 18 Grants-in-Aid to APEDA for Renewable Resources of Energy	10.00
	4552 Capital Outlay on North Eastern Areas 800 Other Expenditure 18 Orang Mazbat Rupa Road	222.22
	4552 Capital Outlay on North Eastern Areas 800 Other Expenditure 37 Construction of Play Fields	46.67
43 Fisheries	4405 Capital Outlay on Fisheries 800 Other Expenditure 01 Creation of Assets	5.90
56 Tourism	3452 Tourism 80 General 800 Other Expenditure 07 Siang River Festival	8.00
65 Department of Tirap and Changlang District	2575 Other Special Area Programmes 03 Tribal Areas 800 Other Expenditure 01 Development of Tirap and Changlang District	312.48
Public Debt	2049 Interest Payments 60 Interest on other obligations 701 Miscellaneous 03 Interest on Power Bonds	189.27
TOTAL		**816.24**

Appendix – 2.10

Statement showing non-utilisation of entire provision of funds in excess of Rs.10 lakh

(Reference: Paragraph 2.3.7; Page 42)

(Rupees in crore)

Sl. No.	Number and Name of Grant Head of Account		Total Grant	Savings
1.	**1 Legislative Assembly** 4059 Capital Outlay on Public Works 07 Non Lapsable Pool Fund 80 General 800 Other Expenditure 02 Construction of Legislative Assembly Building	S 5.00	5.00	5.00
2.	**6 District Administration** 3451 Secretariat – Economic Services 102 District Planning Machinery 05 Backward Region Grant Fund (BRGF)	S 7.500	7.50	7.50
3.	**11 Social Welfare** 2236 Nutrition 02 Distribution of Nutritious Food and Beverages 101 Special Nutrition Programmes 05 Food grains to Adolescent Girls	O 3.00	3.00	3.00
4.	**13 Directorate of Accounts** 2071 Pensions and Other Retirement Benefits 01 Civil 102 Commuted Value of Pension 01 Ordinary Pension	O 4.10 R 9.90	14.00	14.00
5.	**13 Directorate of Accounts** 2071 Pensions and Other Retirement Benefits 01 Civil 105 Family Pensions 01 Ordinary Pension	O 3.91 R 4.09	8.00	8.00
6.	**14 Education** 4202 Capital Outlay on Education, Sports, Art and Culture 01 General Education 204 Adult Education 02 Construction of Building for Education	S 0.60	0.60	0.60
7.	**23 Forests** 4406 Capital Outlay on Forestry and Wildlife 01 Forestry 190 Investments in Public Sector and other undertakings 02 Investment to other Undertaking	O 0.40	0.40	0.40
8.	**24 Agriculture** 2401 Crop Husbandry 800 Other Expenditure 38 National Project on Organic Farming	S 0.26	0.26	0.26
9.	**27 Panchayat** 4515 Capital Outlay on other Rural Development Programme 101 Panchayati Raj 05 Backward Region Grant Fund	S 0.60	0.60	0.60
10.	**27 Panchyat** 2515 Other Rural Development Programmes 101 Panchayati Raj 01 Panchayat Development and Training	S 0.48	0.48	0.48

Sl. No.	Number and Name of Grant Head of Account		Total Grant	Savings
11.	**31 Public Works** 4059 Capital Outlay on Public Works 80 General 051 Construction 03 Building under SPA	S 3.10	3.10	3.10
12.	**32 Roads and Bridges** 5054 Capital Outlay on Roads and Bridges 04 District and Other Roads 800 Other Expenditure 07 Scheme Under SPA	S 95.58	95.58	95.58
13.	**33 North Eastern Areas** 4552 Capital Outlay on North Eastern Areas 800 Other Expenditure 78 Double Cropping in Arunachal Pradesh	S 1.30	1.30	1.30
14.	**33 North Eastern Areas** 4552 Capital Outlay on North Eastern Areas 800 Other Expenditure 53 Upgradation of Primary Health Centre at Raga/Boa Simla	S 2.22	2.22	2.22
15.	**33 North Eastern Areas** 4552 Capital Outlay on North Eastern Areas 800 Other Expenditure 53 Construction of Covered Gallery including Viewers sitting, Arrangement at Dirang	S 1.33	1.33	1.33
16.	**33 North Eastern Areas** 4552 Capital Outlay on North Eastern Areas 800 Other Expenditure 42 Construction of Additional 20 Bedded Ward for Cardiac Care Unit and eye Department at RK Mission Hospital, Itanagar	S 1.00	1.00	1.00
17.	**33 North Eastern Areas** 4552 Capital Outlay on North Eastern Areas 800 Other Expenditure 55 Establishment of Accident and Trauma Centre at Aalo	S 0.25	0.25	0.25
18.	**34 Power** 4801 Capital Outlay on Power Projects 01 Hydel Generation 800 Other Expenditure 05 Scheme Under REC	O 3.00 S 6.70	9.70	9.70
19.	**34 Power** 4801 Capital Outlay on Power Projects 01 Hydel Generation 800 Other Expenditure 09 100% Metering System	S 3.74	3.74	3.74
20.	**50 Secretariat Economic Services** 4070 Capital Outlay on other Administrative Services 800 Other Expenditure 02 Creation of Assets	O 0.50	0.50	0.50
21.	**56 Tourism** 3452 Tourism 80 General 800 Other Expenditure 03 Capital IT and Computerisation	O 0.07 S 0.30 R 0.14	0.51	0.51

Sl. No.	Number and Name of Grant Head of Account		Total Grant	Savings
22.	**56 Tourism** 3452 Tourism 80 General 800 Other Expenditure 14 Brahmaputra Darshan Festival	O 0.08 S 0.02 R 0.01	0.11	0.11
23.	**56 Tourism** 5452 Capital Outlay on Tourism 01 Tourist Infrastructure 102 Tourist Accommodation 67 Development of Mechuka Tourism Destination	S 3.08 R 0.45	3.53	3.53
24.	**56 Tourism** 5452 Capital Outlay on Tourism 01 Tourist Infrastructure 102 Tourist Accommodation 78 Tourism Infrastructure Development at Dong	S 1.26	1.26	1.26
25.	**56 Tourism** 5452 Capital Outlay on Tourism 01 Tourist Infrastructure 102 Tourist Accommodation 102 Tourist Accommodation 03 Construction of Tourism Lodge at Geku	S 0.63 R 0.44	1.07	1.07
26.	**66 Power** 4801 Capital Outlay on Power Projects 04 Diesel/Gas Power Generation 800 Other Expenditure 20 Mukto MHP	S 10.00	10.00	10.00
27.	**Public Debt** 2049 Interest Payments 04 Interest on Loans and Advances from Central Government 106 Interest on Ways and Means Advances 01 Payment and Interest on Excess drawal of ways and Means Advances from RBI	O 0.30 R 0.82	1.12	1.12
28.	**Public Debt** 6003 Internal Debt of the State Government 110 Ways and Means Advances from the RBI 01 Repayment of Advances taken from RBI Under Ways and Means	O 69.97 R 20.03	90.00	90.00
	TOTAL		**266.16**	**266.16**

Appendix – 2.11

Statement showing persistent savings in excess of Rs.10 lakh in each case and 10 percent or more of the provision

(Reference: Paragraph 2.3.8; Page 42)

(Percentage of savings to total provision)

Sl. No.	Number and Name of Grant/Appropriation	2005-06	2006-07	2007-08
Revenue (Voted)				
1	27 Panchayat	34	84	72
2	50 Secretariat Economic Services	94	89	94
3	57 Urban Development	58	27	19
Revenue (Charged)				
4	12 Social Security and Welfare	14	86	75
Capital (Voted)				
5	14 Education	34	20	35
6	31 Public Works	22	40	23
7	34 Power	37	22	40

Appendix – 2.12

Statement showing anticipated savings not surrendered (in excess of Rs. 10 lakh in each case and 10 *per cent* or more of the provision)

(Reference: Paragraph 2.3.9; Page 42)

(Rupees in crore)

Sl. No.	Number and Name of the Grant/Appropriation	Total Grant/ Appropriation	Saving	Unsurrendered Savings	Percentage of unsurrendered savings
Revenue (Voted)					
1.	3 Council of Ministers	4.17	0.35	0.35	100
2.	6 District Administration	227.67	33.77	33.77	100
3.	9 Motor Garages	11.87	1.40	1.40	100
4.	11 Social Welfare	47.35	2.77	2.77	100
5.	12 Social Security and Welfare	1.06	0.80	0.23	29
6.	14 Education	289.24	8.61	8.61	100
7.	15 Health and Family Welfare	125.83	22.51	22.51	100
8.	18 Research	7.25	1.24	1.24	100
9.	21 Food Storage and Warehousing	23.46	0.41	0.41	100
10.	22 Civil Supplies	87.13	13.75	13.75	100
11.	23 Forests	75.40	2.91	2.91	100
12.	25 Relief, Rehabilitation and Re-settlement	31.56	0.42	0.42	100
13.	26 Rural Works	46.73	5.74	4.61	80
14.	27 Panchayat	16.73	12.02	6.68	56
15.	28 Animal Husbandry and Veterinary	28.90	1.01	1.01	100
16.	31 Public Works	71.64	1.29	1.29	100
17.	33 North Eastern Areas	7.61	1.61	1.61	100
18.	38 Water Resource Department	118.77	30.82	30.82	100
19.	42 Rural Development	34.22	0.44	0.25	57
20.	48 Horticulture	15.67	0.58	0.58	100
21.	49 Science and Technology	20.35	9.73	9.73	100
22.	56 Tourism	6.59	1.19	1.19	100
23.	57 Urban Development	4.08	0.80	0.80	100
24.	59 Public Health Engineering	207.67	10.32	10.32	100
25.	60 Textile and Handicraft	15.57	0.37	0.37	100
26.	64 Trade and Commerce	1.19	1.00	1.00	100
Revenue (Charged)					
27.	Public Debt	222.57	55.21	32.46	59
28.	12 Social Security and Welfare	1.06	0.80	0.23	29
Capital (Voted)					

Sl. No.	Number and Name of the Grant/Appropriation	Total Grant/ Appropriation	Saving	Unsurrendered Savings	Percentage of unsurrendered savings
29.	1 Legislative Assembly	5.00	5.00	5.00	100
30.	8 Police	4.94	1.00	1.00	100
31.	11 Social Welfare	16.71	0.62	0.62	100
32.	13 Directorate of Accounts	2.50	0.29	0.29	100
33.	14 Education	28.68	10.11	10.11	100
34.	15 Health and Family Welfare	20.65	6.86	6.86	100
35.	16 Art and Cultural Affairs	5.69	4.25	4.25	100
36.	19 Industries	0.74	0.27	0.27	100
37.	21 Food Storage and Warehousing	1.83	0.31	0.31	100
38.	23 Forests	0.40	0.40	0.40	100
39.	26 Rural Works	30.96	22.56	22.56	100
40.	27 Panchayat	0.60	0.60	0.60	100
41.	28 Animal Husbandary and Veterinary	2.01	0.28	0.28	100
42.	30 State Transport	4.30	0.70	0.70	100
43.	31 Public Works	22.00	5.10	5.10	100
44.	32 Roads and Bridges	345.77	180.56	180.56	100
45.	33 North Eastern Areas	33.96	8.54	8.54	100
46.	34 Power	158.36	63.52	63.52	100
47.	38 Water Resources Department	20.11	1.28	1.28	100
48.	39 Loans to Government Servants	3.60	0.81	0.52	64
49.	40 Housing	17.18	5.00	5.00	100
50.	42 Rural Development	4.34	3.24	3.24	100
51.	50 Secretariat Economic Services	0.50	0.50	0.50	100
52.	52 Sports and Youth Services	22.68	7.48	7.48	100
53.	56 Tourism	30.20	11.12	11.12	100
54.	57 Urban Development	54.28	2.19	2.19	100
55.	59 Public Health Engineering	19.31	0.81	0.81	100
56.	65 Department of Tirap and Changlang District	24.40	3.14	3.14	100
57.	66 Power (Civil)	120.89	87.83	87.83	100
Capital (Charged)					
58.	Public Debt	194.12	116.99	80.13	68
	Total	**2948.05**	**773.23**	**705.53**	

Appendix – 2.13

Statement showing rush of expenditure during the month of March

(Reference: Paragraph 2.3.10; Page 42)

(Rupees in crore)

Sl. No.	Heads of accounts	Grant No.	Total Provision	Expenditure				Total Expenditure	Percentage of expenditure during 4th quarter to total expenditure	Expenditure during March	Percentage of expenditure during March	
				1st Quarter	2nd Quarter	3rd Quarter	4th Quarter				Total provision	Total expenditure
1.	2055	8	122.87	24.37	23.65	23.50	51.61	123.13	42	30.36	25	25
2.	2202	14	283.95	46.79	44.40	49.12	135.78	276.09	49	89.94	32	33
3.	2210	15	117.40	15.92	15.79	16.77	48.06	96.54	50	33.26	28	34
4.	2211	15	8.42	0.77	0.81	0.85	4.34	6.77	64	3.54	42	52
5.	2215	59	206.92	6.43	24.06	48.44	117.64	196.57	60	82.61	40	42
6.	2235	8, 11, 12, 13 & 25	36.72	3.29	5.26	5.38	19.81	33.74	59	15.38	42	46
7	2401	24 & 48	78.79	7.31	9.33	10.14	53.12	79.90	66	45.17	57	57
8.	2403	28	27.42	4.19	4.55	4.57	13.38	26.69	50	9.06	33	34
9.	2515	27 & 42	23.38	2.31	2.89	3.14	8.36	16.70	50	5.98	26	36
10.	2851	19 & 60	21.28	2.08	2.43	3.10	13.30	20.91	64	11.06	52	53
Total			**927.15**	**113.46**	**133.17**	**165.01**	**465.40**	**877.04**	**53**	**326.36**	**35**	**37**
Percentage with reference to total expenditure				*13*	*15*	*19*	*53*			*37*		

Source : Accountant General (A&E).

Appendix – 2.14

Statement showing the drawal of amount by AC bills

(Reference: Paragraph 2.3.11; Page 42)

Abstract of Total number of AC Bills awaiting adjustment

Total No. of AC Bills awaiting for adjustment	Amount involved	Age wise break up of outstanding AC Bills		
		Year	No. of items	Amount (in Rs)
2307	Rs. 28,88,39,364	2001-02	147	31,47,650
		2002-03	384	68,51,517
		2003-04	203	1,41,73,259
		2004-05	431	9,25,43,346
		2005-06	339	1,30,56,038
		2006-07	403	4,52,36,916
		2007-08	400	11,38,30,638
Total			**2307**	**28,88,39,364**

Details of AC Bills awaiting Adjustment

(in Rupees)

Sl. No.	Name of the DDO/Controlling Officers from which AC Bills are awaited	Total number of items	Amount involved
1.	Under Secretary (Estt.), Govt. of AP, Itanagar	370	3,57,21,872
2.	Under Secretary, Itanagar	333	1,08,33,274
3.	Under Secretary (Admn. Reforms), Itanagar	6	65,000
4.	Under Secretary to Governor, Itanagar	321	67,88,614
5.	Superintendent of Police (Tele), Itanagar	330	7,63,19,250
6.	Secretary, State Lotteries, Itanagar	149	1,37,01,400
7.	Finance & Account Officer, Legislative Assembly, Naharlagun	141	22,75,000
8.	Directorate of A/cs & Treasuries, Naharlagun	30	3,10,000
9.	Dy. Commissioner (Admn), Tezu	22	7,52,500
10.	Dy. Commissioner, Papum Pare Dist.	7	15,47,000
11.	Dy. Director, Stationery & Printing, Naharlagun	3	21,32,000
12.	Dir. General of Police, Itanagar	34	7,42,49,771
13.	Dy. Commissioner (Admn.), Bomdila	2	2,20,500
14.	Director of Small Savings , Naharlagun	6	80,000
15.	Under Secretary, Public Service Commission, Itanagar	34	18,10,424
16.	Divisional Commissioner (West), Itanagar	8	10,31,802
17.	Dy. Commissioner, Tax & Excise (STE), Itanagar	3	47,500

Sl. No.	Name of the DDO/Controlling Officers from which AC Bills are awaited	Total number of items	Amount involved
18.	Dir. Of Audit & Pension, Itanagar	17	2,30,000
19.	Dir. of Health Service, Naharlagun	11	1,23,000
20.	Treasury Officer, Along	4	1,27,683
21.	Dy. Commissioner (TRA), Along	1	14,918
22.	Social Welfare, Women & Child Dev. Dept. Naharlagun	3	4,06,75,110
23.	Asstt. Comm., Excise & Taxation, Itanagar	1	5,000
24.	Asstt. Dr. for Relief & Rehabilitation & Settlement, Itanagar	4	18,000
25.	Chief Medical Officer, General Hospital, Naharlagun	22	1,55,000
26.	Child Dev. Project Officer, Doimukh	1	20,67,000
27.	Commdt. 1st AP, BHQ, Itanagar	3	17,86,816
28.	DHS. (MED), Naharlagun	18	1.90,000
29.	DHS (MED), Naharlagun	3	25,000
30.	Dir. of Sports & Youth Welfare, Itanagar	1	20,000
31.	Dist. Election Officer , Daporijo	4	3,02,000
32.	Dist. Election Officer, Daporijo	2	4,36,000
33.	Dist. Election Officer, Changlang	4	4,50,000
34.	Dist. Election Officer, Tirap, Khonsa	1	1,54,000
35.	Dist. Medical Officer (MED), Changlang	1	45,608
36.	Dist. Medical Officer (FWL), Changlang	1	15,000
37.	Dist. Medical Officer (FWL), Bomdila	2	20,000
38.	Dist. Relief & Rehabilitation Officer, Itanagar	4	19,000
39.	Dist. Medical Officer (FWL), Along	37	3,04,800
40.	Dist. Election Officer (ADC), Roing	1	1,00,000
41.	Dist. Election Officer (DC), Seppa	5	38,00,000
42.	Dist. Election Officer, Along	31	16,27,430
43.	Dist. Election Officer, Naharlagun	10	3,36,900
44.	Dist. Election Officer, Pasighat	1	78,225
45.	Dist. Election Officer, Tawang	3	4,25,000
46.	Dist. Election Officer, Yingkiong	26	3,44,348
47.	Dist. Election Officer, Ziro	1	2,00,000
48.	Dist Medical Officer (FWL), Pasighat	10	1,30,700
49.	Dist. Medical Officer (FWL), Daporijo	1	20,000
50.	Dist. Medical Officer, Roing	2	60,000
51.	Dist. Medical Officer, Yingkiong	2	30,000
52.	Dist. Medical Officer (MED), Tezu	5	5,20,000

Sl. No.	Name of the DDO/Controlling Officers from which AC Bills are awaited	Total number of items	Amount involved
53.	Dist. Medical Officer, Papum Pare	6	63,000
54.	Dist. Medical Officer, Khonsa	13	90,000
55.	Dy. Dir. of Health Services (T&R – FWL), Pasighat	8	60,000
56.	Dy. Commissioner (Admn.), Itanagar	7	11,62,990
57.	Dy. Commissioner (Admn.), Tawang	2	81,000
58.	Dy. Comm. (LAR), Along	2	1,54,000
59.	Dy. Comm. (Admn.), Anini	1	28,626
60.	Dy. Comm. (Admn.), Tirap	1	5,600
61.	Dy. Director (Fisheries), Itanagar	1	75,000
62.	Dy. Dir., Small Savings, Naharlagun	3	40,000
63.	Dy. Supdt. of Police (Tele), Itanagar	7	3,34,920
64.	Editor, AP Gazetteer, Shillong	3	1,49,482
65.	Minister of AP	10	83,587
66.	Supdt. of Police (PS), Itanagar	8	2,63,717
67.	Treasury Officer, Itanagar	1	2,07,951
68.	U/Secretary (Est), (Law), Itanagar	2	8,71,500
69.	U/Secretary (Est.), O/o the Div. Comm., Itanagar	189	24,05,546
70.	Vice Principal, PTC, Banderdewa	1	20,000
	Total	**2307**	**28,88,39,364**

Source: Accountant General (A&E)

Appendix – 4.1

Details of explanatory notes on paragraphs of Audit Report pending as of March 2008

(Reference: Paragraph 4.11; Page 98)

Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
1994-95	27-03-1996	4.4,4.5,4.6 & 4.7	Power
1997-98	23-07-1999	3.1 & 3.2	Health & Family Welfare
1999-2000	21-09-2001	3.4	Urban Development
		3.8	Land Revenue
		4.3 & 4.5	Public Works
		7.2, 7.3, 7.4 & 7.5	Finance
2000-01	28-02-2002	4.2	Public Works
		7.2, 7.3, 7.4 & 7.5	Finance
2001-02	16-02-2004	3.6	Tourism
		3.7	Health & Family Welfare
		6.3, 6.4, 6.5 & 6.6	Finance
2002-03	24-06-2004	3.1, 3.5, & 3.6	Health & Family Welfare
		3.2	Planning
		3.4	Civil Supplies
		3.12	Finance
		4.5 & 5.1	Public Work
		7.2, 7.3, 7.4 & 7.5	Finance
2003-04	24-09-2005	4.1	Agriculture
		4.2	Animal Husbandry & Veterinary
		4.3	Art & Culture
		4.4	Environment & Forests
		4.5	Health & Family Welfare
		4.6, 4.7, 4.8 & 4.9	Public Works
2004-05	23-03-2006	3.1	Public Works
		3.2	Social Welfare, Women and Child Development
		4.1	Animal Husbandry & Veterinary
		4.2 & 4.3	Health & Family Welfare
		4.4	Urban Development and Housing
		4.5	Public Health Engineering
		4.6, 4.7, 4.8, 4.9, 4.10 & 4.11	Public Works
2005-06	20-03-2007	3.1, 4.7	Civil Supplies Department
		3.2	Environment and Forests
		3.3	Health & Family Welfare

Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
		3.4, 4.10	Public Works
		4.1	Industries
		4.2 , 4.3	Sports & Youth Affairs
		4.4, 4.11	Tourism
		4.5, 4.6	Agriculture
		4.8	Irrigation & Flood Control
		4.9	Public Health Engineering & Water Supply
		4.12	Civil Supplies/Relief, Rehabilitation & Disaster Management
		4.13	Irrigation
		5.1	Horticulture
		6.2, 6.3, 6.4, 6.5	Environment and Forests
		6.6, 6.7	Excise
		6.8, 6.9, 6.10	Geology & Mining
		6.11	Land Management
		6.12 to 6.22	Taxation
		6.23 , 6.24	Transport
		7.2, 7.3	Power
		7.4	Arunachal Pradesh Forest Corporation Limited
2006-07	19-03-2008	3.1	Home
		3.3, 4.1, 4.5, 4.15	Education
		3.4	Tourism
		4.3, 6.2, 6.3	Environment & Forests
		4.4	Cultural Affairs
		4.6, 4.7, 4.8 & 4.17	Health & Family Welfare
		4.9,4.10, 4.11, 4.13, 4.18	Public Works
		4.12	Rural Works
		4.14, 5.1	Social Welfare, Women & Child Development
		4.16	Fisheries
		4.19	Civil Supplies
		6.4, 6.5	Excise
		6.6 to 6.10	Geology & Mining
		6.11	Land Management
		6.12 to 6.23	Taxation
		6.24 & 6.25	Transport

Year of Audit Report	Audit Report placed before the State Legislature	Paragraph number for which *suo moto* explanatory notes are awaited	Department
		7.2 to 7.6	Power
		7.7	Forest
TOTAL		**152 Paragraphs**	

Appendix – 4.2

Status of outstanding Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee

(Reference: Paragraph 4.11; Page 98)

Year of Report	Particulars of paragraphs on which recommendations were made by the PAC but ATNs are awaited		PAC Report in which recommendations were made	Date of presentation of the Report of the PAC to the State Legislature
	Paragraph Number	Total Paragraphs		
1986-87	3.1,3.2,3.3,3.7,3.8, 3.9, 3.10, 3.11, 4.3, 5.2, 7.2 and 7.3	12	27th, 36th, 37th, 40th, 42nd, 44th and 49th Report	8th September 1994, 27th September 1996, 10th November 1998, 24th March 2000, 21st September 2001, 3rd March 2003
1987-88	3.1, 3.4, 3.5, 3.6, 3.7, 3.9 and 5.1	7	27th, 36th, 37th, 40th and 42nd Report	8th September 1994, 27th September 1996, 10th November 1998 and 24th March 2000
1988-89	3.1, 3.3, 3.4, 3.10, 3.11, 3.14, 4.5, 4.8, 5.5 and 5.6	10	37th, 38th, 40th, 42nd and 45th	27th September 1996, 10th November 1998, 24th March 2000 and 3rd March 2003
1989-90	5.2	1	44th Report	21st September 2001
1990-91	3.4, 3.8, 3.9, 7.3 and 7.5	5	39th, 44th, 45th and 48th	6th March 1997, 21st September 2001, 19th March 2002 and 3rd March 2003
1991-92	3.1 and 5 (b)	2	39th, 44th, 45th and 48th	6th March 1997, 21st September 2001, 19th March 2002 and 3rd March 2003
1992-93	3.3, 3.4, 4.3, 4.4 and 5.1	5	39th and 44th Report	6th March 1997 and 21st September 2001
1993-94	4.6, 4.7 and 7.2	3	48th Report	19th March 2002
1994-95	3.3, 3.4, 3.5, 3.6, 4.3 and 4.10	6	45th and 46th Report	19th March 2002 and 3rd March 2003
1995-96	3.2 to 3.6 and 3.11	6	46th Report	19th March 2002
1996-97	3.13, 4.10 to 4.14 and 4.16	7	48th Report	19th March 2002
1997-98	4.6, 5.1 and 5.4	3	48th and 51st Report	19th March 2002 and 21st March 2006
1998-99	3.6	1	51st Report	21st March 2006

Appendix – 7.1

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2008 in respect of Government companies

(Reference: Paragraphs 7.1.2 and 7.1.3; page 146)

(Figures in Columns 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector and Name of the Company	Paid up capital as at the end of 2007-08#					Equity/Loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2007-08Ψ			Debt equity ratio for 2007–08 4(f)/3(e)
		State Government	Central Government	Holding Company	Others	Total	Equity	Loans		Government	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A.	**WORKING GOVERNMENT COMPANIES**												
	Sector: Industrial Development and Financing												
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	214.50	--	--	--	214.50	-	-	-	713.55	76.20	789.75	3.68:1 (3.37:1)
	Total of the Sector	**214.50**	--	--	--	**214.50**	-	-	-	713.55	**76.20**	**789.75**	3.68:1 **(3.37:1)**
	Sector: Mining												
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	243.12				243.12			-		0.80	0.80	0:1 (0:1)
	Total of the Sector	**243.12**				**243.12**			-		**0.80**	**0.80**	**0:1 (0:1)**
	Sector: Forest												
3.	Arunachal Pradesh Forest Corporation Limited	449.72	--	--	--	449.72	--	--	--	--	113.01	113.01	0.25:1 (0:1)
	Total of the Sector	**449.72**	--	--	--	**449.72**					**113.01**	**113.01**	**0.25:1 (0:1)**
	Total of A	**907.34**				**907.34**			--	**713.55**	**190.01**	**903.56**	**1:1 (0.79:1)**
B.	**NON-WORKING GOVERNMENT COMPANIES**												
	Sector: Cement												
4.	Parasuram Cements Limited	-	-	23.50	-	23.50	-	-	-	-	136.50	136.50	5.81:1 (5.81:1)
	Total of the Sector			**23.50**		**23.50**					**136.50**	**136.50**	**5.81:1 (5.81:1)**
	Sector: Fruit Processing												
5.	Arunachal Horticulture Processing Industries Limited	-	-	18.81	-	18.81	-	-	-	-	136.15	136.15	7.24:1 (7.25:1)

\# *Paid-up-capital includes Share application money also.*

Ψ *Loans outstanding at the close of 2007-08 represents long-term loan only.*

Note: *Figures are provisional as given by the companies*

Sl. No.	Sector and Name of the Company	Paid up capital as at the end of 2007-08#					Equity/Loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2007-08Ψ			Debt equity ratio for 2007 –08 4(f)/3(e)
		State Government	Central Government	Holding Company	Others	Total	Equity	Loans		Government	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	Total of the Sector			**18.81**	**-**	**18.81**	**-**	**-**	**-**	**-**	**136.15**	**136.15**	**7.24:1 (7.25:1)**
	Total of B			**42.31**		**42.31**					**272.65**	**272.65**	**6.44:1 (6.45:1)**
	Grand Total (A+B)	**907.34**	**-**	**42.31**	**-**	**949.65**	**-**	**-**	**-**	**713.55**	**462.66**	**1176.21**	**1.24:1 (1.04:1)**

(figure in bracket indicates for previous year)

Appendix – 7.2

Statement showing summarized financial results of Government companies for the latest year for which accounts were finalised

(Reference: Paragraphs 7.1.4, 7.1.5, 7.1.7, 7.1.9 & 7.1.10; pages 146, 147 and 148)

(Figures in columns 7 to 12 & 15 are Rupees in lakh)

Sl. No	Sector and name of the company	Name of department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net profit /loss (-)	Net impact of audit comments	Paid-up capital	Accumulated profit /loss (-)	Capital employed#	Total return on capital employed *	Percentage of return on capital employed	Arrears of accounts in terms of years	Turnover	Man-power (number of employee)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
A.	**WORKING GOVERNMENT COMPANIES**														
	Sector: Industrial Development and Financing														
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	Industries	Aug/78	2006-07	2008-09	(-)155.66	-	211.50	(-)1902.11	2499.07	(-)155.66	-	1	233.33	73
	Total of the Sector					**(-)155.66**	-	**211.50**	**(-)1902.11**	**2499.07**	**(-)155.66**	-		**233.33**	**73**
	Sector: Mining														
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	Geology and Mining	Mar/91	1993-94	2000-01	(-) 12.66	-	99.22	(-) 24.80	73.80	(-) 12.66	-	14	6.14	32
	Total of the Sector					**(-) 12.66**	-	**99.22**	**(-) 24.80**	**73.80**	**(-) 12.66**	-		**6.14**	**32**
	Sector: Forest														
3.	Arunachal Pradesh Forest Corporation Limited	Forest	Mar/77	1998-99	2004-05	(-) 308.95	-	449.72	1639.56	2430.61	(-) 308.95	-	9	332.08	445
	Total of the Sector					**(-) 308.95**	-	**449.72**	**1639.56**	**2430.61**	**(-) 308.95**	-		**332.08**	**445**
Total of A						**(-) 477.27**	-	**760.44**	**(-)287.35**	**5003.48**	**(-)477.27**	-	-	**571.55**	**550**
B.	**NON-WORKING GOVERNMENT COMPANIES**														
	Sector: Cement														
4.	Parasuram Cements Limited	Industries	Jan/85	1987-88	2006-07	(-) 16-68	-	13.50	(-)32.09	107.51	(-)13.35	-	20	41.41	-
	Total of the Sector					**(-) 16.68**	-	**13.50**	**(-)32.09**	**107.51**	**(-)13.35**	-		**41.41**	
	Sector: Fruit Processing														
5.	Arunachal Horticulture Processing Industries Limited	Industries	May/82	1983-84	2004-05	*The operations of the unit were closed in May 1995.*							24		-
	Total of the Sector					-	-	-	-	-	-	-	-	-	-

\# *Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in case of Arunachal Pradesh Industrial Development and Financial Corporation Limited, where the capital employed is worked out as a mean of aggregate of opening and closing balances of paid-up-capital, free reserves and borrowings (including refinance).*

**for calculating total return on capital employed, interest on borrowed fund is added to net profit/subtracted from the loss as disclosed in profit and loss account.*

Total of B	(-) 16.68	-	13.50	(-)32.09	107.51	(-)13.35	-	-	41.41	
Grand Total (A+B)	(-)493.95	-	773.94	(-)319.44	5110.99	(-)490.62	-	-	612.96	550

Appendix – 7.3

Statement showing grants/subsidy received, guarantees received and guarantees outstanding at the end of 31 March 2008

(Reference: Paragraph 7.1.3; page 146)

(Figures in Columns 3(a) to 7 are Rupees in lakh)

Sl. No.	Name of the Government company	Subsidy and grants received during 2007-08				Guarantees received during the year and outstanding at the end of the year #					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Govt.	State Govt.	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loan repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
A	**WORKING GOVERNMENT COMPANIES**															
1.	Arunachal Pradesh Industrial Development & Financial Corporation Limited	-	-	-	-	-	(96.62)	-	-	(96.62)	-	-	-	-	-	-
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Arunachal Pradesh Forest Corporation Limited	20.00	-	-	20.00	-	-	-	-	-	-	-	-	-	-	-
	Total of A :	**20.00**	**-**	**-**	**20.00**	**-**	**(96.62)**	**-**	**-**	**(96.62)**	**-**	**-**	**-**	**-**	**-**	**-**
B	**NON-WORKING GOVERNMENT COMPANIES**															
4.	Parasuram Cements Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	Arunachal Horticulture Processing Industries Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total of B :	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Grand Total (A + B):	**20.00**	**-**	**-**	**20.00**	**-**	**(96.62)**	**-**	**-**	**(96.62)**	**-**	**-**	**-**	**-**	**-**	**-**

Figures in bracket indicates guarantees outstanding at the end of the year including interest.

Appendix - 7.4

Statement showing investments made by State Government in PSUs whose accounts are in arrears

(Reference: Paragraph 7.1.4; page 146)

(Rs. in lakh)

Sl. No	Name of PSU	Year up to which Accounts finalized	Paid up capital as per latest finalized accounts	Investment made by State Government during the years for which accounts are in arrears				
				Years	Equity	Loans	Grants	Others to be specified
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
A	WORKING GOVERNMENT COMPANIES							
1.	Arunachal Pradesh Industrial Development & Financial Corporation Limited	2006-07	211.50	2007-08	3.00	-	-	-
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	1993-94	99.22	1994-95 to 2007-08	148.99	15.00	115.20	-
3.	Arunachal Pradesh Forest Corporation Limited	1998-99	449.72	1999-2000 to 2007-08	-	-	574.91	-
	Total of A :				151.99	15.00	690.11	-
B	NON-WORKING GOVERNMENT COMPANIES							
4.	Parasuram Cements Limited	1987-88	13.50	1988-89 to 2007-08	-	-	-	-
5.	Arunachal Horticulture Processing Industries Limited	1983-84		1984-85 to 2007-08	-	-	-	-
	Total of B :				-	-	-	-
	Grand total (A + B)				151.99	15.00	690.11	-

Appendix –7.5

Statement showing the department-wise outstanding inspection reports (IRs)

(Reference: Paragraph 7.1.11; page 149)

Sl. No.	Name of Department	Number of Government companies/ departmental undertakings	Number of Outstanding IRs	Number of outstanding paragraphs	Years from which paragraphs outstanding
1.	Industries	3	5	28	1994-95
2.	Geology & Mining	1	3	7	1994-95
3.	Forest	1	11	73	1991-92
4.	Transport	1	12	53	2001-02
5.	Supply	1	4	21	2004-05
6.	Power	1	20	194	2001-02
Total		**8**	**55**	**376**	

Appendix – 7.6

Statement showing the department-wise draft paragraphs/reviews replies to which are awaited

(Reference: Paragraph 7.1.11; page 149)

Sl. No.	Name of department	Number of review	Number of draft paragraphs	Period of issue
1.	Power	1	--	July 2008
2.	Department of Hydro Power	--	1	June 2008
Total		**1**	**1**	

Appendix – 7.7

Statement showing financial position, working results and operational performance of the State Transport Services for the three years upto 2006-07

(Reference: Paragraph 7.1.13; page 150)

(Rupees in crore)

Sl. No.	Particulars	2004-05	2005-06	2006-07
A	**Financial Position**			
1.	Liabilities			
	(a) Government Capital	158.12	179.81	211.05
	(b) Interest on Government Capital	-	-	-
	(c) Sundry Creditors	5.54	6.59	6.88
	Total	**163.66**	**186.40**	**217.93**
2.	Assets			
	(a) Gross Block	47.08	49.56	53.43
	(b) Less Depreciation	37.06	41.86	47.09
	(c) Net fixed Assets	10.02	7.70	6.34
	(d) Current Assets Loans & Advances	6.50	7.37	7.66
	(e) Accumulated Losses	147.14	171.33	203.94
	Total	**163.66**	**186.40**	**217.93**
B.	**Working Results**			
1 (a)	Operating			
	(i) Revenue	7.17	8.57	10.16
	(ii) Expenditure	21.09	25.07	40.21
	(iii) Surplus (+)/Deficit (-)	(-)13.92	(-)16.50	(-)30.05
(b)	Non-operating			
	(i) Revenue			-
	(ii) Expenditure	1.71	1.93	2.25
	(iii) Surplus(+)/Deficit(-)	(-)1.71	(-)1.93	(-)2.25
(c)	Total			
	(i) Revenue	7.17	8.57	10.16
	(ii) Expenditure	22.80	27.00	42.46
2.	Gross Deficit (-)	(-)15.63	(-)18.43	(-)32.30
C.	**Operational Performance**			
1.	Average no. of vehicles held	238	238	240
2.	Average no. of vehicles on road	112	161	132
3.	Percentage of utilisation of vehicles (Percentage of 2 to 1)	47.08	67.65	55
4.	Numbers of routes operated at the end of the year	NA	NA	NA
5.	Kilometres operated effective (in lakh)	72.00	77.70	81
6.	Average kilometres covered per bus per day	176	132	168
7.	Average operating revenue per kilometre (Rupees)	10.34	10.98	12.58
8.	Average operating expenditure per Kilometre (Rupees)	33.36	30.96	37.96
9.	Operating loss per Kilometre (Rupees)	23.02	19.98	25.38

Sl. No.	Particulars	2004-05	2005-06	2006-07
10.	Number of operating depots	13	14	14
11.	Passenger Kilometre operated (in crore)	0.74	0.74	0.75
12.	Occupancy ratio (Load factor) (per cent)	48	51	52
13.	Cost of fuel per effective km (Rupees)	10.93	12.39	12.74
14.	Expenditure on tyres and tubes per effective km (Rupees)	9.10	11.84	11.45

Appendix – 7.8

Statement showing working results of State Trading scheme from 1999-2000 to 2001-02

(Reference: Paragraph 7.1.13; page 151)

(Rupees in lakh)

		1999-2000	2000-01	2001-02
A.	Income			
(a)	Sales	348.34	370.37	427.25
(b)	Increase(+)/Decrease(-) of stock	(+) 39.17	(-) 47.75	(+)115.42
	Total – A	**387.51**	**322.62**	**542.67**
B.	Trading Expenses:			
(a)	Purchases	438.34	348.82	355.01
(b)	Packing materials	67.74	14.17	99.15
(c)	Establishment and contingent charges	195.90	202.23	291.80
(d)	Air dropping and godown losses	30.95	17.33	13.28
	Total – B	**732.93**	**582.55**	**759.24**
C.	Trading Profit (+)/ Loss (-)(A-B)	(-) 345.42	(-) 259.93	(-)216.57
D.	Non-trading expenses – interest on capital and audit fee (provisions)	23.51	30.68	12.80
E.	Net profit (+)/Loss (-)	(-) 368.93	(-) 290.61	229.37

Appendix – 7.9

Statement showing operational performance of Power Department for the three years up to 2007-08

(Reference: Paragraph 7.1.14 page 151)

Sl. No.	Items	2005-06	2006-07	2007-08
1.	Installed Capacity : (M W)			
	(a) Thermal	-	-	-
	(b) Hydro	32.66	32.66	33.72
	(c) Gas	-	-	
	(d) Others (Diesel)	25.00	25.00	25.00
	Total	**57.66**	**57.66**	**58.72**
2.	Normal maximum demand of the State (M Kwh)	600.00	700.00	1000.00
3.	Power Generated : (M K W H)			
	(a) Thermal	-	-	-
	(b) Hydro	41.180	51.414	52.21
	(c) Gas	-	-	-
	(d) Others (Diesel)	6.348	5.697	4.89
	Total	**47.528**	**57.111**	**57.10**
	Less : Auxiliary Consumption (M K W H) (brackets indicated the percentage to Power Generated)			
	(a) Thermal	-	-	-
	(b) Hydro (c) Gas (d) Others (Diesel)	2.250 (5.46) - 0.278 (4.38)	2.270 (4.42) - 0.274 (4.81)	1.541 (2.95) - 0.244 (4.99)
	Total	**2.528 (5.32)**	**2.544 (4.45)**	**1.785 (3.13)**
4.	Net Power Generated (M K W H)	45.00	54.567	55.315
5.	Power purchased (M K W H)	-	-	-
	KHEP	63.081	46.550	51.620
	AGBPP	91.654	92.296	92.988
	AGTPP	37.343	38.890	38.277
	RHEP	86.447	58.822	95.100
	DHEP	11.609	11.626	17.154
	LOKTAK	27.115	21.947	28.229
	ABT	17.300	70.250	66.114

Sl. No.	Items	2005-06	2006-07	2007-08
	Total	**334.549**	**340.381**	**389.482**
6.	Free Power received (M K W H)	168.782	112.532	181.518
7.	Total Power available for Sale (M K W H) (4+5+6)	548.331	507.480	626.315
8.	Power Sold (MU)			
	(a) Within the State	100.00	141.690	169.732
	(b) Outside the State	219.07	193.370	216.960
	Total	**319.07**	**335.060**	**386.692**
Sl. No.	**Items**	**2005-06**	**2006-07**	**2007-08**
9.	Transmission and distribution loss (MU) (7-8)	229.261	172.420	239.623
10.	Load factor (percentage)	-	-	62
11.	Percentage of transmission and distribution losses to total power available for sale (Percentage of 9 to 7)	43.63	33.97	38.26
12.	Number of Villages/towns electrified	2544	2552	2552
	(a) Villages			
	(b) Towns	-	-	
13.	Number of Pump sets/wells energized	-		15
14.	Number of Sub-stations (in MVA)	-	47.57	
15.	Transmission/distribution lines (in kms)			
	(a) High voltage		220 KV- 19 & 132KV-169	220 KV – 19 & 132 KV – 189
	(b) Medium voltage		33 KV-2622 &11KV-5422	33 KV – 3074 & 11 KV – 5569
	(c) Low voltage		7778	7780
16.	Connected load (in MW)	100.00	115.94	115
17.	Number of consumers		137930	144757
18.	Number of employees		8948	7228
19.	Consumer/employees ratio		15:1	20:1
20.	Total expenditure on staff during the year (Rupees in crore)	18.50	53.68	57.60
21.	Percentage of expenditure on staff to total revenue expenditure	13.69	51.63	56.83
22.	Unit sold to different category of consumers : (MU) (Percentage of share to total units sold indicated in bracket):			
	(a) Agriculture		-	19.92 (5.15)

Sl. No.	Items	2005-06	2006-07	2007-08
	(b) Industrial		18.557(5.53)	77.13 (19.94)
	(c) Commercial		8.022(2.39)	9.54 (2.47)
	(d) Domestic		44.052(13.15)	47.75 (12.35)
	(e) Irrigation		-	-
	(f) Bulk supply		-	-
	(g) Other categories (P/Lighting, P/Water Works, Non-Residential)	100	71.069 (21.21)	15.39 (3.98)
	(h) Inter-State	219.07	193.37 (57.72)	216.96 (56.11)
	Total	319.07	**335.06(100)**	**386.69 (100)**
23.	Revenue (Rupees in crore)	72.86	76.30	109.37
24.	Expenditure (Rupees in crore)			
	(a) Salary & Wages			
	(b) Fuel			
	(c) Spares *etc.*	18.50	10.90	
	(d) Power Purchased	99.81	93.00	
	Total	**118.31**	**103.90**	**101.35**
25.	Loss (24 -23)	45.45	27.66	8.02
26.	Loss per unit sold (25 ÷ 22)	1.42/unit	0.82/unit	0.02/unit

Appendix – 7.10

Statement showing the sanction of scheme, allotment of fund, villages targetted and electrified and expenditure incurred on PMGY/MNP/PM's Package in Arunachal Pradesh

(Reference: Paragraph 7.2.3; page 153)

(Rupees in lakh)

Sl No.	Year	Scheme	Sanction order of State Government	Sanction outlay	Funds allotment GOI/ State Government	No of villages targeted	No of villages electrified	Expenditure incurred
1.	2001-02	PMGY		684.00	684.00	49	49	684.00
2.	2002-03	-do-	No. PWRS/PMGY/ 44-EST/2002-03 dated 21st March 2003	684.00	684.00	32	32	684.00
3.	2003-04	-do-	No. PWRS/EC-2/2003-04 dated 11th February 2004	884.52	684.00	46	37	684.00
4.	2004-05	-do-	No. PWRS/EST-4/2004-05 dated 28th March 2005	1080.00	684.00	54 (Revised to 33)	9	684.00
5.	2001-02	PM's Package		900.00	896.00	60	60	896.00
6.	2002-03	MNP	No. PWRS/W-972/2003 dated 8th September 2003	1441.00	1441.00	89	89	1441.00
7.	2003-04	-do-	No. PWRS/EST-3/2003-2004 dated 5th July 2004	1692.00	1200.00	93	69	1200.00
Total				**7365.52**	**6273.00**	**402**	**345**	**6273.00**